

NovaPort Wholesale Smaller Companies Fund

Monthly report - July 2013

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	7.37	2.97	36.28	17.18	12.72	15.29	16.83
Growth return	7.37	2.97	33.42	14.40	9.73	4.33	6.11
Distribution return	-	-	2.86	2.78	2.99	10.96	10.72
S&P/ASX Small Ordinaries Accumulation Index	9.81	-1.94	4.16	-0.59	-2.79	6.00	7.20
Active return [^]	-2.44	4.91	32.12	17.78	15.51	9.29	9.63

Past performance is not a reliable indicator of future performance.

Performance figures are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

[^] Numbers may not add due to rounding

Investment objective

The Fund is designed to provide investors with a diversified portfolio of smaller Australian companies that aims to outperform its benchmark over rolling three-year periods.

Responsible entity

Fidante Partners Limited

Investment manager

NovaPort Capital Pty Ltd

Investment strategy

NovaPort is a benchmark unaware, active investment manager. NovaPort is a high conviction investor, which invests in a concentrated number of companies at any given time and consequently its investment portfolios typically have a lower turnover of securities.

Distribution frequency

Quarterly

Suggested minimum investment timeframe

At least five years

Asset allocation	As at 31 July 2013 (%)	Range (%)
Security	93.86	80-100
Cash	6.14	0-20

Top 5 active positions as at 31 July 2013	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	4.93	0.00	4.93
Austbrokers Holdings Ltd	4.36	0.00	4.36
Kathmandu Holdings Ltd	4.64	0.53	4.11
Village Roadshow Limited	3.76	0.00	3.76
Sirtex Medical Limited	4.31	0.62	3.68

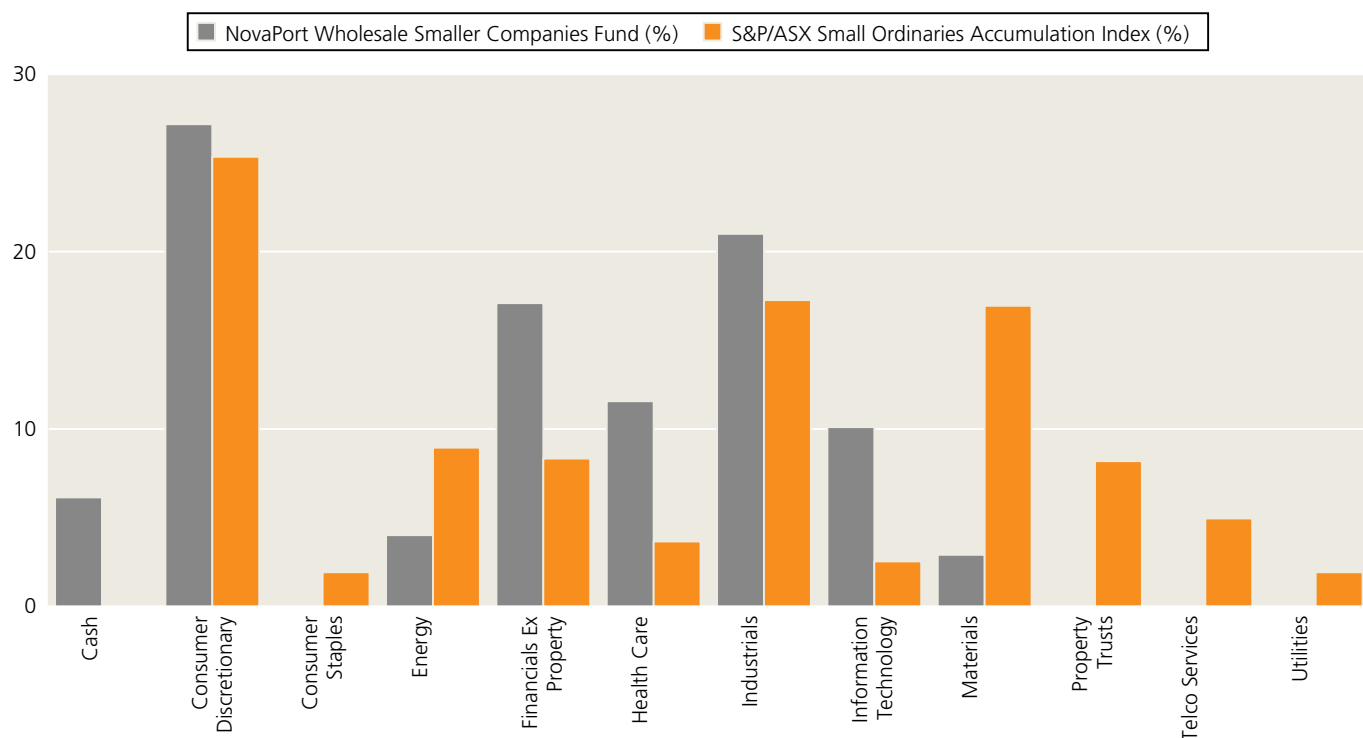
Fund facts	
Inception date	31 December 2002
Fund size	\$58.6M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2011-2012 ICR	2.39%
Management fee*	0.90% p.a.
Performance fee [^]	20% of the difference between the Fund's gross return (before fees and expenses) and the daily return of the S&P/ASX Small Ordinaries Accumulation Index plus 0.90% p.a. This is capped at 2.00% p.a.
Buy/sell spread	+0.40% / -0.40%

* Up to and including 30 September 2011, the management fee was 0.95% p.a. From 1 October 2011, the management fee was reduced to 0.90% p.a.

[^] The performance fee was introduced from 1 October 2011

Sector exposure as at 31 July 2013



Market overview

The S&P/ASX Australian Small Ordinaries Accumulation Index rose 9.81% during July. The materials and energy sectors were particularly strong, recovering the previous month's losses, which were likely to have been exacerbated by tax loss selling. Risk appetite was generally higher and supported by the market's growing confidence that the US Federal Reserve is in no hurry to withdraw from monetary easing. Despite this, the Australian dollar failed to join the rally and continued to fall during July, possibly in anticipation of further interest rate cuts and / or a less bullish longer term outlook for commodity prices.

Most companies will report their FY13 results during August, giving the market an update on trading conditions and expectations for the new year. With a looming federal election as well as evidence suggesting that demand remains sluggish we expect management commentary will remain cautious. On a more interesting note, this reporting season should provide a timely insight into the resources sector. The snapshot of their detailed accounts will allow us to determine how well their operations are coping with lower prices and more restricted capital.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +9.81% for July. The fund underperformed the market and delivered a +7.37% return over July.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
McMillan Shakespeare Limited	Industrials	-0.51	0.66
Clough Limited	Industrials	3.32	0.64
Independence Group NL	Materials	1.06	0.27

McMillan Shakespeare Limited

Not held by the fund.

Clough Limited

At the end of July, Clough's major shareholder, Murray & Roberts Holdings, launched a bid to buy the remainder of the company for \$1.32/share as well as a franked \$0.14/share dividend. The bid remains conditional on items such as due diligence and directors recommendations. Clough's strong cash backing and robust work in hand made it an attractive target for Murray & Roberts.

Independence Group NL

Independence Group is nearing commercial gold production from its 30% share of the Tropicana gold mine. The gold mine should offer substantial cash generation and boasts a long mine life, attractive grades and expansion potential. The company continues to keep costs under control and generate positive cash flows from its Long Nickel Mine in Kambalda. The recently acquired Jaguar / Bentley mines are establishing a firmer foundation after some initial issues and are expected to remain comfortably viable at current zinc and copper prices.

Key detractors

Security name	Sector	Active weight %	Value added %
Sigma Pharmaceuticals LTD	Health Care	1.49	-0.50
Austbrokers Holdings Ltd	Financials Ex Property	4.36	-0.40
Linc Energy Ltd	Energy	-0.56	-0.27

Sigma Pharmaceuticals LTD

Sigma provided a trading update in July noting stronger sales and gross profit but slightly weaker operating profit. The weakness in operating profit could be attributed to the investments in their new multi-channel retail strategy. As a result of these investments, Sigma guided the market to a full year increase in operating profit over the prior year, however they noted that first half operating profit was expected to be below the prior corresponding period. Consequently consensus expectations were tempered and the stock reacted accordingly. Sigma also flagged a potential trade debt of \$9m and believe they are in a strong position to recover a proportion of this claim

Austbrokers Holdings Ltd

Austbrokers' share price ascendancy moderated in July as their primary broking competitor, the Steadfast Group, readied themselves for IPO in early August. During the month, Austbrokers increased their cost base via the appointment of two new senior executives in the roles of Chief Operating Officer and Chief Broking Officer. We view these appointments as appropriate in the context of their corporate strategy.

Linc Energy Ltd

Not held by the fund.

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