

NovaPort Wholesale Smaller Companies Fund

Monthly report - July 2014

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	3.96	4.68	19.05	18.71	18.83	13.19	17.02
Growth return	3.96	2.53	14.89	15.29	15.97	2.28	6.84
Distribution return	-	2.15	4.16	3.42	2.86	10.91	10.18
S&P/ASX Small Ordinaries Accumulation Index	4.91	3.83	8.07	-1.83	2.64	4.49	7.27
Active return [^]	-0.96	0.84	10.99	20.54	16.19	8.71	9.75

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 2014 (%)	Range (%)
Security	86.77	80-100
Cash	13.23	0-20

Top 5 active positions as at 31 July 2014	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	3.95	0.00	3.95
SFG Australia Ltd	3.11	0.00	3.11
Technology One Limited	2.92	0.00	2.92
Sirtex Medical Limited	3.78	0.96	2.82
IOOF Holdings Limited	2.66	0.00	2.66

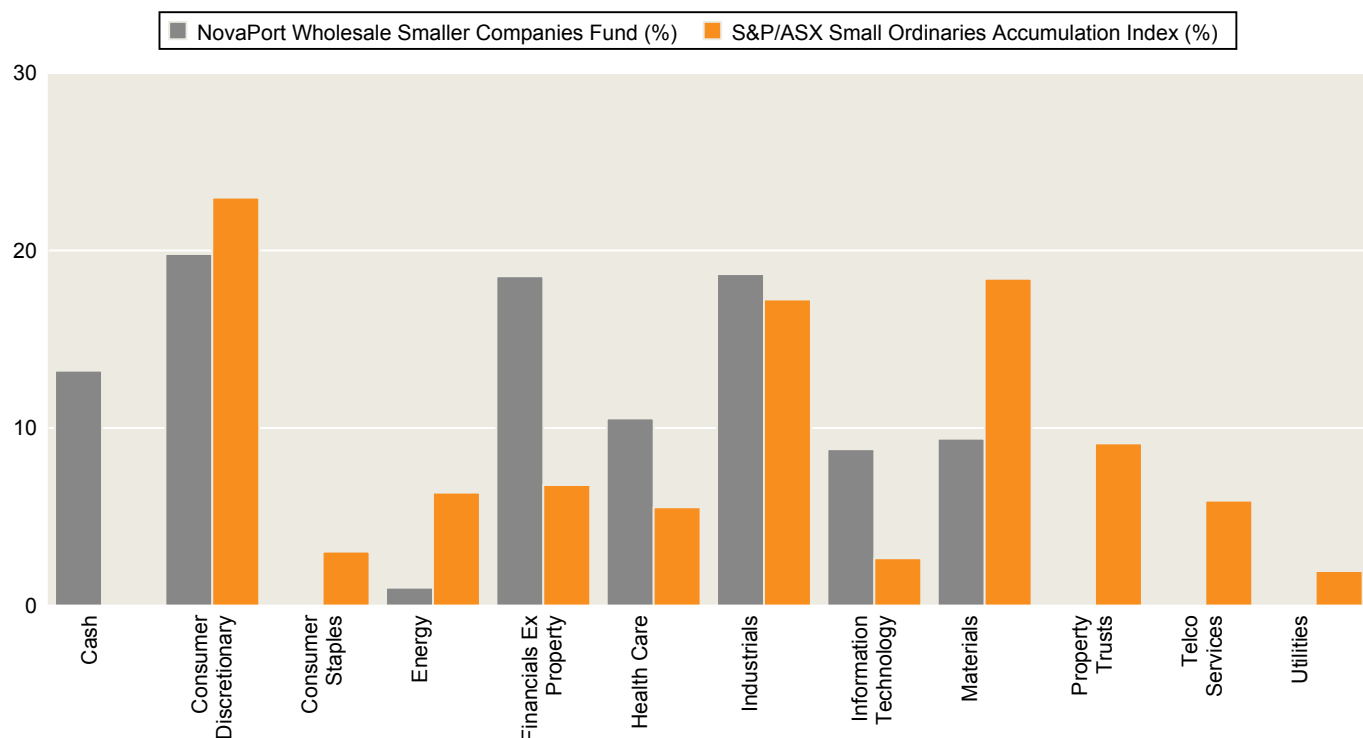
Fund facts	
Inception date	31 December 2002
Fund size	\$108.6M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2012-2013 ICR	2.89%
Management fee*	0.90% p.a.
Performance fee [^]	20% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of the S&P/ASX Small Ordinaries Accumulation Index). The performance fee 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 2014



Market overview

The S&P/ASX Small Ordinaries Accumulation Index increased 4.9% over July. The rise reflected divergent performances between the miners and industrials with the former up a strong 8.1% for the month versus small industrials, which were up “only” 4%.

The resources sector continued its strong run since mid-June with the two sub sectors Energy and Materials up 8.5% and 6.8% respectively. Continued supportive news flow from the US (positive economic indicators and accommodative monetary policy) has been one of the factors driving improved sentiment towards the materials sector. Price movements across base metals were positive for the month except for the nickel price, which was down, albeit still up a strong 36% on a rolling one-year basis.

Industrials sectors were generally up over July with the exception of consumer staples (-0.8%). The retail sector has been one of the hardest hit sectors of the economy with a warmer winter and a poorly received Federal budget prompting some downgrades especially amongst apparel retailers. However, recent data points and anecdotal evidence suggests cooler weather has boosted trading levels. More importantly, consumer sentiment appears to be recovering as initial negative reactions to the budget begin to dissipate.

The month was notable for the absence of a large number of material downgrades in the lead up to reporting season. As such, companies that continue to provide solid earnings growth despite subdued macro conditions continue to trade on elevated multiples while broader cyclical exposures continue to tread water until a more positive economic tailwind emerges.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +4.91% for July. The fund underperformed the market and delivered a +3.96% return over July.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Flexigroup Ltd	Financials Ex Property	2.62	0.32
Sirtex Medical Limited	Health Care	2.82	0.19
Independence Group NL	Materials	1.89	0.14

Flexigroup Ltd

Flexigroup's share price recovered following a period of underperformance in prior months. There was no substantial news or announcement underlying this share price move. In the past, the company has generated strong growth via product innovation and acquisition and expects these strategies to deliver continued earnings growth, albeit at a more modest rate.

Sirtex Medical Limited

In early July Sirtex reported a 27 per cent growth in dose sales for the final quarter of 2014. The company is also approaching a result from clinical studies which if successful will provide potential for meaningful expansion in breadth of its addressable market.

Independence Group NL

Gold production is ramping up from the newly developed Tropicana Mine and Independence's other operations are also performing to expectations. The share price has risen as the company enjoys the benefits of new mine production as well as improved nickel prices.

Key detractors

Security name	Sector	Active weight %	Value added %
Austbrokers Holdings Ltd	Financials Ex Property	2.31	-0.32
Fisher & Paykel Healthcare Corporation Limited	Health Care	3.95	-0.30
SAI Global Limited	Industrials	2.08	-0.22

Austbrokers Holdings Ltd

An update in late June highlighted the continued impact of lower interest rates on fund returns, generally "patchy" economic conditions influencing the SME sector and a subdued environment for premium rates due to competition between insurers. Nevertheless, the company continues to expect underlying growth despite macro conditions and remains well positioned to grow through acquisition as the sector consolidation trend continues.

Fisher & Paykel Healthcare Corporation Limited

Fisher and Paykel Healthcare's share price consolidated following a strong performance over prior months. The company has enjoyed robust volume growth from its recently updated products however operates in a competitive market and needs to continue to innovate in order to expand its market share.

SAI Global Limited

SAI's share price has drifted back as the market evaluates the scope, likelihood and timing of a takeover bid for SAI. The company has announced that it is engaged in a formal sale process after potential acquirers emerged with initial conditional and non-binding proposals.

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