

NovaPort Wholesale Smaller Companies Fund

Monthly report - July 2015

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	2.08	-1.75	2.19	18.36	14.38	11.71	15.77
Growth return	2.08	-8.10	-5.60	13.11	10.18	1.34	5.80
Distribution return	-	6.35	7.79	5.25	4.20	10.37	9.97
S&P/ASX Small Ordinaries Accumulation Index	1.56	-4.13	-2.77	3.05	0.63	1.82	6.44
Active return [^]	0.52	2.38	4.97	15.31	13.75	9.89	9.33

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 2015 (%)	Range (%)
Security	87.88	80-100
Cash	12.12	0-20

Top 5 active positions as at 31 July 2015	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	4.76	0.48	4.28
SAI Global Limited	4.35	0.84	3.52
Japara Healthcare Ltd	4.03	0.61	3.43
Village Roadshow Limited	3.55	0.45	3.10
Austbrokers Holdings Ltd	3.06	0.00	3.06

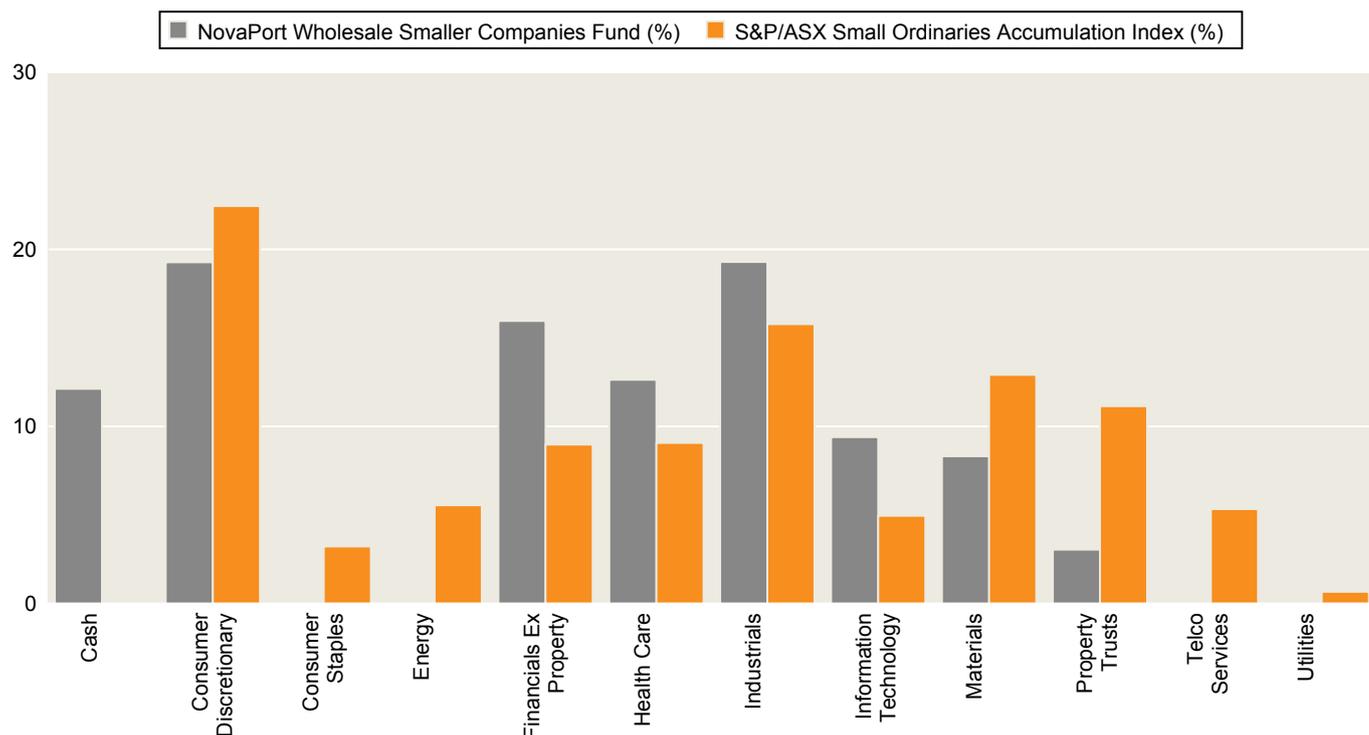
Fund facts	
Inception date	31 December 2002
Fund size	\$178.4M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2013-2014 ICR	2.59%
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	+0.30% / -0.30%

* 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 2015



Market overview

The Small Ordinaries Accumulation Index rebounded in the first month of FY2016, up over 1.5%. This followed a weak finish to FY2015, during which the benchmark declined 4.04%. The benchmark has lacked positive momentum and has been range bound since 2012. Consistent with this history, the resources sector continued to underperform last month, once again leaving industrials to sustain the benchmark.

During July most companies were busy finalising their FY15 accounts in preparation for announcement during August. There is typically limited news from or communication with companies in the lead up to August, to be followed by a deluge as management release their results. We have observed relatively few earnings downgrades this year and we interpret this as indicative of a relatively stable operating environment. Macroeconomic data indicates some ups and downs; most notably respectable growth in household / consumer sectors offset by weak data from sectors of the economy dealing with the fallout from lower commodity prices.

Aside from company specific factors, investors continue to grapple with the prospect of higher interest rates in the USA as well as the weaker economic outlook in China. We view normalisation of US monetary policy and normalisation of China's economic growth rate as inevitable rather than surprising. While there is potential for volatility as the market adjusts to these dynamics, our focus remains on the opportunities offered by the share price relative to the underlying performance of the companies in which we can invest.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +1.56% for July. The fund outperformed the market and delivered a +2.08% return over July.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Fisher & Paykel Healthcare Corporation Limited	Health Care	4.28	0.41
Liquefied Natural Gas Ltd	Energy	-1.42	0.30
Japara Healthcare Ltd	Health Care	3.43	0.23

Fisher & Paykel Healthcare Corporation Limited

A weaker New Zealand dollar (against both the US Dollar and Euro) may explain some of the rally in Fisher and Paykel's stock during July. The company sells respiratory devices internationally and a substantial part of its cost base is denominated in New Zealand dollars. Putting aside currency gyrations, the company has delivered strong volume growth for many years and continues to launch new and innovative products into the global marketplace.

Liquefied Natural Gas Ltd

Not held by the fund.

Japara Healthcare Ltd

The financial performance of the Aged Care sector is substantially influenced by Federal Government policy and budget proposals. Unlike last year's Federal Budget, the sector was not surprised by funding cuts and this has provided some relief to the market. The company is positioned to benefit from growing demand for Aged Care services and an associated trend for consolidation of the sector.

Key detractors

Security name	Sector	Active weight %	Value added %
Saracen Mineral Holdings Ltd	Materials	1.34	-0.19
Peet Ltd	Property Trusts	3.04	-0.17
Independence Group NL	Materials	1.24	-0.16

Saracen Mineral Holdings Ltd

The company's share price remains hostage to underlying gold price volatility despite consistently posting positive exploration, operational and financial results. While a lower Australian dollar offsets the decline in the US dollar gold price, the adverse impact of weaker demand fundamentals for gold in the face of rising interest rates in the US continues to weigh on Saracen's share price.

Peet Ltd

Peet's share price remains weak in the absence of any news flow. The company's exposure to the West Australian residential sector remains the key source of concern with the down turn in the resources sector adversely impacting demand for new residential land and home packages.

Independence Group NL

Independence Group continued to weaken following the announcement of the acquisition of Sirius Resources in a stock and cash deal which was viewed as more favourable to Sirius shareholders. The company's rationale for the acquisition was to firm up its medium and long term production profile with what is a high quality asset of meaningful scale. However the market has taken a dim view of the deal which will reduce earnings per share in the lead up to the commencement of mining at Sirius' Nova-Bollinger project.

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