

NovaPort Wholesale Smaller Companies Fund

Quarterly report - June 2014

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	1.25	22.96	17.44	19.04	13.12	16.76
Growth return	-0.83	18.66	14.06	16.17	2.21	6.53
Distribution return	2.08	4.30	3.38	2.87	10.90	10.23
S&P/ASX Small Ordinaries Accumulation Index	-2.26	13.11	-2.94	3.43	4.50	6.88
Active return [^]	3.51	9.85	20.38	15.62	8.62	9.88

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 30 June 2014 (%)	Range (%)
Security	86.58	80-100
Cash	13.42	0-20

Top 5 active positions as at 30 June 2014	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	4.25	0.00	4.25
SFG Australia Ltd	3.10	0.00	3.10
Technology One Limited	2.92	0.00	2.92
Japara Healthcare Ltd	2.79	0.00	2.79
Peet Ltd	2.78	0.00	2.78

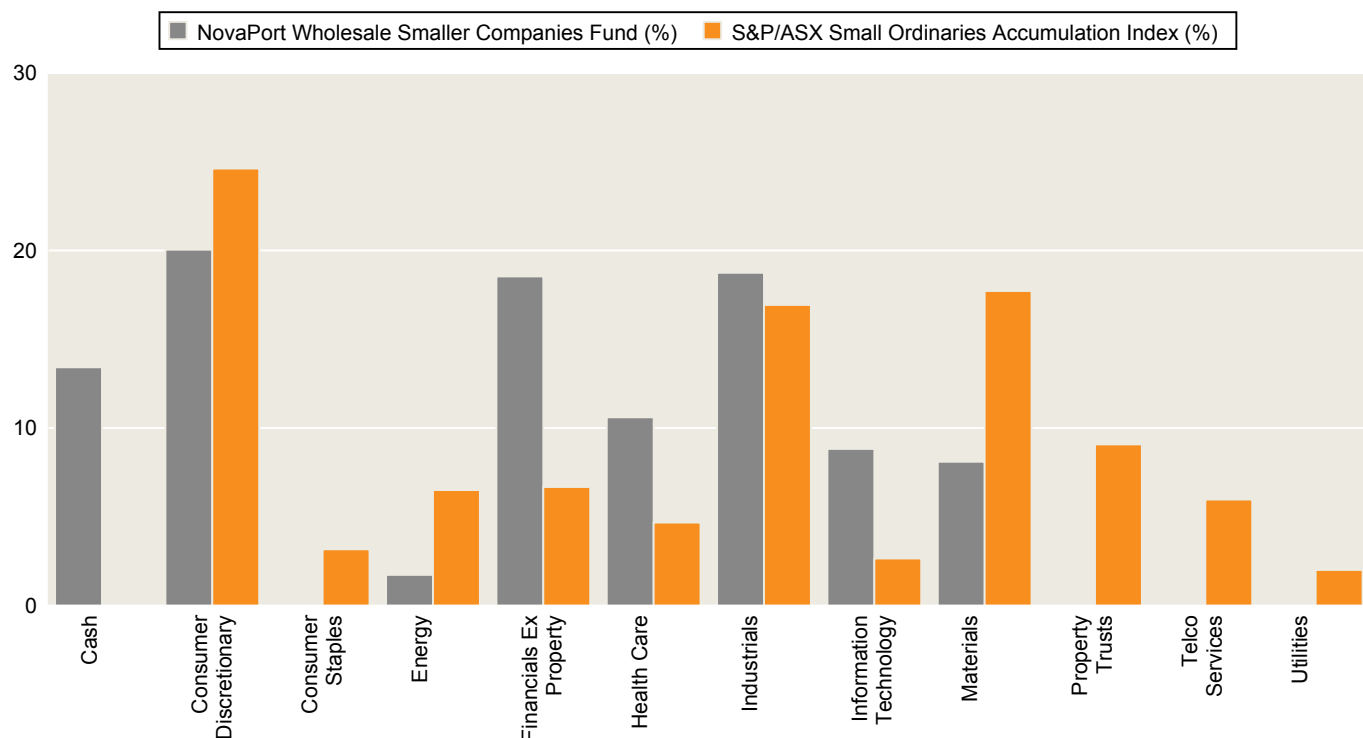
Fund facts	
Inception date	31 December 2002
Fund size	\$100.8M
APIR code	HOW0016AU

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 30 June 2014



Market overview

The S&P/ASX Small Ordinaries Accumulation Index fell 1.11% during June. For the financial year ended 30 June, the benchmark delivered a robust 13.11% gain and has boosted investor confidence following several difficult years.

The Materials sector was one of the best performing sectors during the month. Sentiment towards the sector has been supported by continuation of easy monetary policy globally (most notably in Europe) and an encouraging outlook for the US economy. Despite this, the outlook for underlying commodity prices remains varied with some (e.g. iron ore, coal) labouring under the perception of substantial excess supply capacity.

Unsurprisingly investor appetite for yield appears to remain strong. Other top performing sectors during the month were Utilities and Property Trusts, which we believe highlights investor dissatisfaction with lean bond yields and bank deposit rates.

A common theme emerging late in the financial year was that consumer and business confidence had taken a setback in the lead up to the Australian Federal Government budget announcement. With a number of companies downgrading their earnings guidance in May and June, investor focus has rapidly tuned to near term earnings risks. We believe this explains much of June's overall benchmark decline.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -2.26% for the quarter. The fund outperformed the market and delivered a +1.25% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
SFG Australia Ltd	Financials Ex Property	3.10	0.72
Western Areas Limited	Materials	2.34	0.62
SAI Global Limited	Industrials	2.32	0.61

SFG Australia Ltd

IOOF Ltd announced it will acquire SFG Australia in a recommended scrip and cash deal. The announcement saw the SFG share price rise in line with the terms of the merger.



Western Areas Limited

Western Area's share price has recovered from a strongly oversold position. Low nickel prices, combined with the retirement of its Chairman saw the share price fall to multi year lows. Since then the company has recapitalised its balance sheet and seen some improved nickel pricing. Operationally its high quality two nickel operations have continued to produce volumes and grades safely, and in line with expectations.

SAI Global Limited

The market was surprised by the departure of SAI's only recently appointed CEO. The split resulted from a disagreement with the board over the scope and pace of change at SAI. At the same time, the board also announced that it had received conditional and non binding proposals from potential acquirers and this revelation saw the share price bounce.

Key detractors

Security name	Sector	Active weight %	Value added %
Kathmandu Holdings Ltd	Consumer Discretionary	2.38	-0.46
Chandler Macleod Limited	Industrials	1.34	-0.36
PanAust Limited	Materials	-1.08	-0.33

Kathmandu Holdings Ltd

Sentiment towards Kathmandu has been adversely impacted by broader retail sector concerns regarding warmer weather affecting demand (especially for apparel retailers) as well as a marked decline in consumer sentiment post the release of the Federal governments "austerity" budget.

Chandler Macleod Limited

Chandler Macleod announced that it has experienced weaker than expected recruitment activity and will not meet its previously stated earnings guidance. The company has suffered in particular from a lack of permanent placements, which typically drive higher margins.

PanAust Limited

Not held by the fund.

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