

NovaPort Wholesale Smaller Companies Fund

Quarterly report - June 2015

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	-4.17	4.07	18.57	14.15	11.77	15.69
Growth return	-10.37	-3.87	13.31	9.96	1.40	5.66
Distribution return	6.19	7.94	5.26	4.19	10.37	10.03
S&P/ASX Small Ordinaries Accumulation Index	-4.04	0.44	2.46	1.35	2.04	6.35
Active return^	-0.14	3.63	16.10	12.80	9.73	9.34

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.

Asset allocation	As at 30 June 2015 (%)	Range (%)
Security	85.19	80-100
Cash	14.81	0-20

Responsible entity

Fidante Partners Limited

Top 5 active positions as at 30 June 2015	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	4.31	0.44	3.87
Japara Healthcare Ltd	3.75	0.57	3.18
Peet Ltd	3.17	0.00	3.17
Village Roadshow Limited	3.53	0.45	3.08
Austbrokers Holdings Ltd	3.06	0.00	3.06

Investment manager

NovaPort Capital Pty Ltd

Fund facts	
Inception date	31 December 2002
Fund size	\$165.0M
APIR code	HOW0016AU

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.

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

Distribution frequency

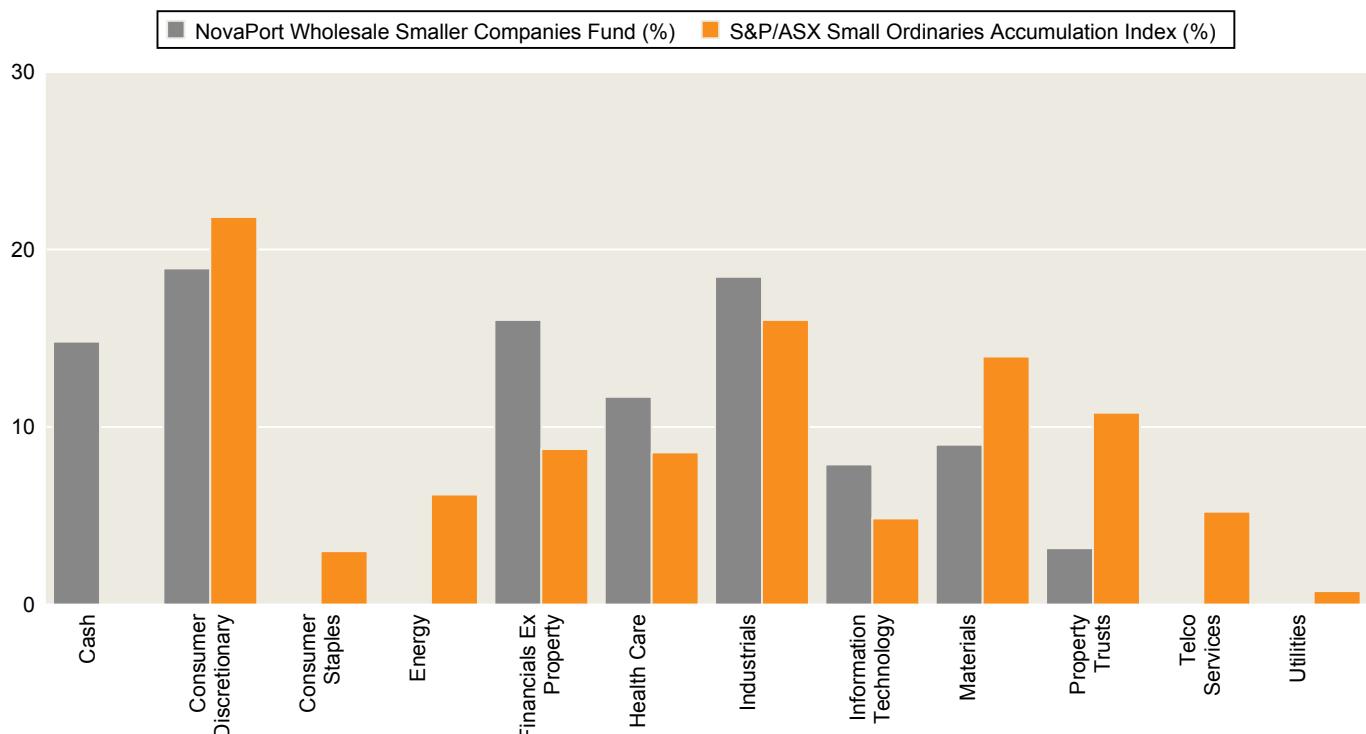
Quarterly

Suggested minimum investment timeframe

At least five years



Sector exposure as at 30 June 2015



Market overview

The Small Ordinaries Accumulation Index has followed up a strong March quarter performance, with a negative 4.04% return for the final three months of the 2015 Financial Year. A losing quarter, post a positive one, has been a trend since March 2013, with the index unable to break out of a relatively tight range, resulting in an index virtually unchanged since 2012.

The smaller companies resources index was down 0.31% over the quarter and finished the year at a lower point than the depths of the GFC share market rout. The industrials sector was down 4.67% for the quarter but, from a longer term perspective, has fared much better with the sector up over 100% since its GFC lows in early March 2009.

The final quarter usually sees an increase in earnings downgrades, as the financial year comes into focus and companies are able to make a comment regarding likely earnings, versus guidance in the market. The June quarter was no different although the number of companies downgrading and degree of earnings variation were at lower levels than recent years. If anything, a lacklustre market is more symptomatic of smaller companies trading on full valuations and with no earnings catalysts to drive the sector higher.

Macro factors continued to dampen any positive momentum over the quarter. Companies reported generally subdued conditions and a still stubbornly high Australian dollar, albeit at a more favourable level than this time last year. Meanwhile a lower local currency has not been able to offset the adverse impact of weak commodity prices for the miners. The RBA followed February's 0.25% cut in interest rates with the same reduction in May. Internationally, any confidence boost from an improving US economy was dampened by the potential for Federal reserve rate increases above expectations. Weakness in China, as well as volatility in Europe as the long discussed "Grexit" loomed large in the lead up to 30 June, also dampened investor confidence.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -4.04% for the quarter. The fund underperformed the market and delivered a -4.17% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Sirtex Medical Limited	Health Care	2.22	0.70
Village Roadshow Limited	Consumer Discretionary	3.08	0.42
Cover-More Group Ltd	Financials Ex Property	2.36	0.35

Sirtex Medical Limited

Eagerly anticipated results of the Sirtex-sponsored SIRFLOX trial of its SIR-spheres liver cancer treatment were presented at the annual ASCO conference during May. While the initial précis of results released earlier this year were not favourably received by the market, the review of the full data by the oncology community saw some significant and positive results in secondary endpoints of the study. Some reviewers suggest this supports the increased adoption of SIR-spheres in cases of metastatic colorectal cancer in patients with liver predominant disease. The result was significant as it is peer reviewed, level one clinical evidence which the company will now be able to present when promoting this treatment to oncologists / clinicians.

Village Roadshow Limited

While wet weather continues to hamper operations at its theme parks, Village Roadshow's earnings will have benefited over the June half with the release of a number of popular films (including Furious 7, Fifty Shades of Grey, and American Sniper) driving strong box office growth on the prior corresponding period.

Cover-More Group Ltd

Cover-More's price was boosted over the quarter by a favourable trading update released in early May. The company commented that sales growth in the current half remained strong, despite a weaker A\$ impacting the appeal of international travel. Further, management suggested the group had largely been successful in putting through price increases, to offset higher claims costs due to a strong US\$.

Key detractors

Security name	Sector	Active weight %	Value added %
APN News & Media Limited	Consumer Discretionary	2.54	-0.61
Retail Food Group Ltd	Consumer Discretionary	1.49	-0.38
Qube Holdings	Industrials	1.88	-0.36

APN News & Media Limited

APN's share price has fallen as the market digests the significant sell down of shares by INM and associated entities as well as the defection to News Corporation of its well-regarded CEO. The company continues to work to monetise its print media assets, however growth in the radio and outdoor segments has seen the relative share of these print businesses decline. The recent acquisition of an FM license in Perth will deliver the company a leading national network.

Retail Food Group Ltd

Retail Food Groups share price retraced some of the recent gains it had experienced on the back of its EPS accretive acquisitions of Gloria Jeans Coffees and Di Bella Coffee. The company provided a trading update that, despite maintaining a buoyant outlook, included a write-down of assets associated with some of the traditional arms of the business. The group took the opportunity to streamline the business to focus on outlet quality in preference to maintaining an oversized network population. We note that, since its listing in June 2006, the company has a proven track record of growing earnings through acquisition.

Qube Holdings

Qube released a soft trading update which stated it did not expect trading and economic conditions to improve in FY16. The company highlighted that its Ports & Bulks division expected a deterioration in earnings in the coming year - driven by the roll-off of several commodity related contracts. Qube concurrently released further detail regarding the development of the Moorebank intermodal terminal which will be one of the longer term growth drivers for the company.

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