

# NovaPort Wholesale Smaller Companies Fund

Monthly report - May 2014

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	2.06	2.57	21.06	16.70	20.34	13.83	17.03
Growth return	2.06	2.45	19.28	13.94	17.61	2.92	6.90
Distribution return	-	0.12	1.78	2.76	2.73	10.91	10.13
S&P/ASX Small Ordinaries Accumulation Index	0.08	-2.31	6.20	-4.25	4.28	4.80	7.04
Active return <sup>^</sup>	1.97	4.88	14.85	20.95	16.06	9.03	9.99

**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.

<sup>^</sup> 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 May 2014 (%)	Range (%)
Security	87.71	80-100
Cash	12.29	0-20

Top 5 active positions as at 31 May 2014	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	4.11	0.00	4.11
SFG Australia Ltd	3.23	0.00	3.23
Technology One Limited	2.96	0.00	2.96
Peet Ltd	2.90	0.00	2.90
Sirtex Medical Limited	3.71	0.89	2.82

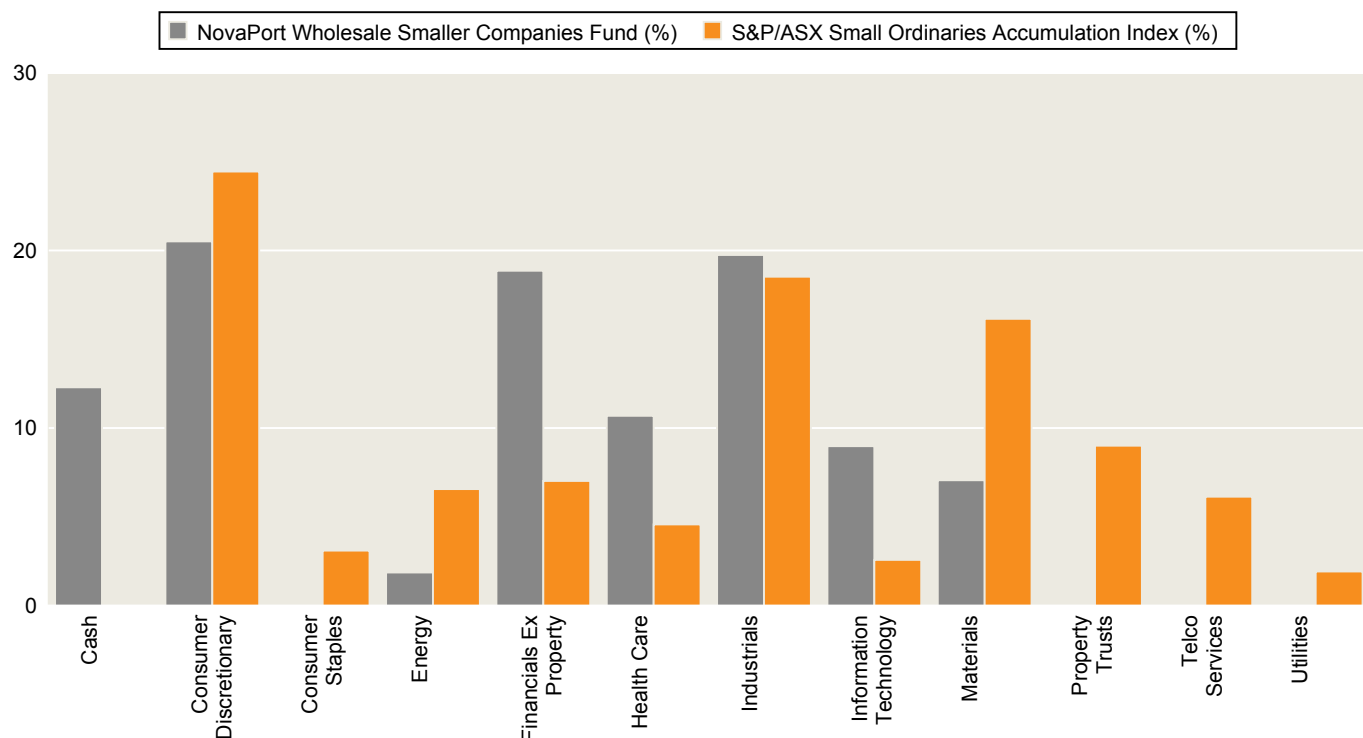
Fund facts	
Inception date	31 December 2002
Fund size	\$96.6M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2012-2013 ICR	2.89%
Management fee*	0.90% p.a.
Performance fee <sup>^</sup>	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.

<sup>^</sup> The performance fee was introduced from 1 October 2011

## Sector exposure as at 31 May 2014



### Market overview

The S&P/ASX Small Ordinaries Accumulation Index finished May generally flat, rising 0.08% stabilising following a fall over the prior month. This contrasts to global markets where equity and bond markets rose.

Healthcare, Utilities and Telecommunications and Energy were sectors which outperformed while most other sectors lost ground during the month, in particular those exposed to domestic consumption. Australian consumer sentiment fell as Australians reacted to news about federal budget revenue raising and cost reduction measures.

The recent (federal budget related) fall in sentiment appears to have taken its toll on corporate profitability in the late stages of FY14. The associated risk of earnings downgrades has created an elevated degree of tension in the market which, like consumers, is still digesting the impact of the recent budget. On the upside however the Reserve Bank of Australia is not expected to raise interest rates any time soon, balance sheets are mostly sound and Australia hasn't seen nasty surprises on employment. We see these factors providing a foundation for an improved FY15.

### Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +0.08% for May. The fund outperformed the market and delivered a +2.06% return over May.

### Performance of key securities

#### Key contributors

Security name	Sector	Active weight %	Value added %
SFG Australia Ltd	Financials Ex Property	3.23	0.54
SAI Global Limited	Industrials	2.41	0.48
Fisher & Paykel Healthcare Corporation Limited	Health Care	4.11	0.47

#### 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.

#### 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.



## Fisher & Paykel Healthcare Corporation Limited

Fisher & Paykel reported earnings in line with expectations and provided guidance for FY15. The company expects continued strong volume growth across both its divisions driven by new product innovation. At the same time it is benefiting from reduced costs of production as it expands output from its new Mexican factory. The company expects these two factors will offset the currency headwind it faces in FY15 due to a resilient NZD.

### Key detractors

Security name	Sector	Active weight %	Value added %
Chandler Macleod Limited	Industrials	1.41	-0.37
Flexigroup Ltd	Financials Ex Property	2.59	-0.29
PanAust Limited	Materials	-1.04	-0.28

### 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.

### Flexigroup Ltd

Flexigroup has reiterated its guidance for FY14, however the market appears to be taking a wait and see approach, particularly with regard to recent acquisitions. The company has highlighted that it will ramp up its investment in systems in FY15, which is likely to constrain earnings growth in the short term.

### PanAust Limited

Not held by the fund.

---

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is provided by Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (Fidante Partners) the issuer of the NovaPort Wholesale Smaller Companies Fund ARSN 094 601 475 (Fund). NovaPort Capital Pty Ltd ABN 88 140 833 656 AFSL 385 329 (NovaPort) is the investment manager of the Fund. It should be regarded as general information only rather than advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain the relevant Product Disclosure Statement (PDS) relating to the Fund and consider that PDS before making any decision about the Fund. A copy of the PDS can be obtained from your financial adviser, our Investor Services team on 13 51 53, or on our website [www.fidante.com.au](http://www.fidante.com.au). If you acquire or hold the product, we and/or a Fidante Partners related company will receive fees and other benefits which are generally disclosed in the PDS or other disclosure document for the product. Neither Fidante Partners nor a Fidante Partners related company and our respective employees receive any specific remuneration for any advice provided to you. However, financial advisers (including some Fidante Partners related companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in the Fund. NovaPort, some or all Fidante Partners related companies and directors of those companies may benefit from fees, commissions and other benefits received by another group company.

