

NovaPort Wholesale Smaller Companies Fund

Monthly report - October 2013

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	2.44	11.87	34.49	19.16	22.44	14.81	17.62
Growth return	2.44	11.72	32.15	16.28	19.23	3.88	7.05
Distribution return	-	0.15	2.34	2.88	3.21	10.93	10.57
S&P/ASX Small Ordinaries Accumulation Index	2.74	7.48	2.85	-2.73	7.46	5.51	7.74
Active return [^]	-0.29	4.39	31.64	21.89	14.98	9.30	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 31 October 2013 (%)	Range (%)
Security	90.37	80-100
Cash	9.63	0-20

Top 5 active positions as at 31 October 2013	Fund weight (%)	Index weight (%)	Active weight (%)
Kathmandu Holdings Ltd	4.96	0.65	4.31
Austbrokers Holdings Ltd	4.13	0.00	4.13
Fisher & Paykel Healthcare Corporation Limited	3.82	0.00	3.82
Village Roadshow Limited	3.80	0.54	3.26
Iress Market Technology Limited	4.37	1.17	3.20

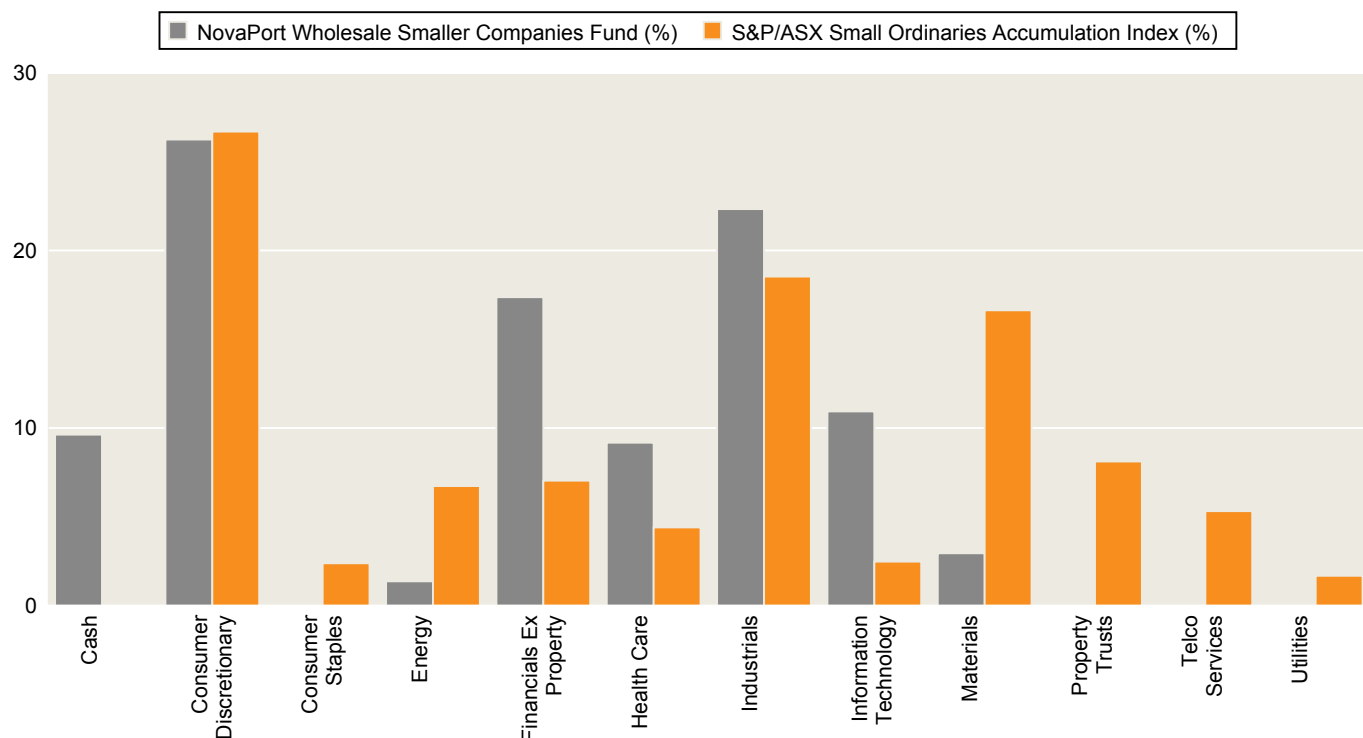
Fund facts	
Inception date	31 December 2002
Fund size	\$70.7M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2012-2013 ICR	2.89%
Management fee*	0.90% p.a.
Performance fee [^]	20% of the difference between the Fund's gross return (before fees and expenses) and the daily return of the S&P/ASX Small Ordinaries Accumulation Index plus 0.90% p.a. This 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 October 2013



Market overview

October saw another strong return from the S&P/ASX Small Ordinaries Accumulation Index, which rose 2.74% during the month and is now up 18% since 1 July 2013. Broadly it appears that the market is enjoying a 'Goldilocks' scenario, with enough signs of growth ahead to remain confident however not enough to drive central banks to dismantle monetary stimulus. One outcome of the rising market and elevated valuations has been a sudden increase in the number of Initial Public Offers.

During October and November most companies hold their annual shareholder meetings which often provides a useful insight into operating conditions and outlook. At this (early) stage relatively few surprises have emerged, with a consistent theme that companies see signs of trading conditions improving from the current low base. We note this has been particularly the case for companies exposed to financial services and housing while typically the retail sector has to wait until Christmas to get a gauge of the consumer.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +2.74% for October. The Fund underperformed the market and delivered a +2.44% return over October.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Kathmandu Holdings Ltd	Consumer Discretionary	4.31	0.55
Transpacific Industries Ltd	Industrials	2.60	0.32
Austbrokers Holdings Ltd	Financials Ex Property	4.13	0.27

Kathmandu Holdings Ltd

Following the release of a solid FY13 result in September, the company's share price continued its re-rating which has been underway since late calendar 2012. An increasing number of investors are finding appeal in its vertically integrated business model, store rollout profile, brand ownership (which mitigates online competition) and exposure to the higher growth travel and adventure segments of the retail sector. In addition Kathmandu stands to benefit from any improvement in conditions as factors like lower interest rates, improving housing, equities markets and material decline in political uncertainty, post the election, add to consumer confidence.



Transpacific Industries Ltd

Transpacific held its AGM during October. The company reported little improvement in its underlying operating environment thus far. It also outlined a strategy to divest its NZ operations and reinvest some of these proceeds into the Australian operations. The market took a positive view of this strategy, which would potentially leave the company with no debt and ample opportunities to consolidate accretive, bolt on acquisitions in the larger Australian market.

Austbrokers Holdings Ltd

In the absence of any specific news flow, the company's share price continued to climb in October. This was assisted by a large investor ceasing to be substantial. Following this event, the stock rallied as the selling pressure eased. We continue to like the business fundamentals and its competitive position in the insurance agency market.

Key detractors

Security name	Sector	Active weight %	Value added %
Cash Converters International Limited	Consumer Discretionary	1.98	-0.82
Sirtex Medical Limited	Health Care	2.99	-0.35
Prime Media Group Limited	Consumer Discretionary	2.65	-0.24

Cash Converters International Limited

In early October, Cash Converters announced it would be defending a potential lawsuit in New South Wales relating, to its micro lending practises in that state prior to the implementation of the new legislative regime on 1 July 2013. The company stated the proposed action is based on a flawed proposition and will be defended. Further, the company stated that fees charged during the period under question were properly levied and completely lawful.

Sirtex Medical Limited

Sirtex reported a slower growth in dose sales for the quarter, partly a result of a strong comparable quarter in the previous year. The company continues to progress in key clinical trials, highlighting the meaningful sales expansion opportunity should level one clinical data confirm the existing evidence of SIR-spheres' efficacy.

Prime Media Group Limited

There was no material company specific news to account for Prime's negative attribution in October. The company continues to offer upside, its exposure as a regional TV broadcaster will benefit from a pickup in media spend, should advertisers seek to increase budgets after what has been, a particularly subdued multi year period of for the free to air sector.

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