

NovaPort Wholesale Smaller Companies Fund

Monthly report - October 2014

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	1.84	-0.02	6.40	18.48	14.10	12.03	16.63
Growth return	1.84	-0.31	2.53	14.98	11.29	1.22	6.66
Distribution return	-	0.29	3.88	3.50	2.82	10.80	9.96
S&P/ASX Small Ordinaries Accumulation Index	-0.54	-3.79	-3.26	-1.01	-0.15	2.86	6.77
Active return [^]	2.38	3.77	9.66	19.49	14.26	9.16	9.86

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 2014 (%)	Range (%)
Security	88.31	80-100
Cash	11.69	0-20

Top 5 active positions as at 31 October 2014	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	4.38	0.00	4.38
Technology One Limited	4.01	0.61	3.40
Sirtex Medical Limited	4.59	1.29	3.29
CSR Limited	3.25	0.00	3.25
Austbrokers Holdings Ltd	2.76	0.00	2.76

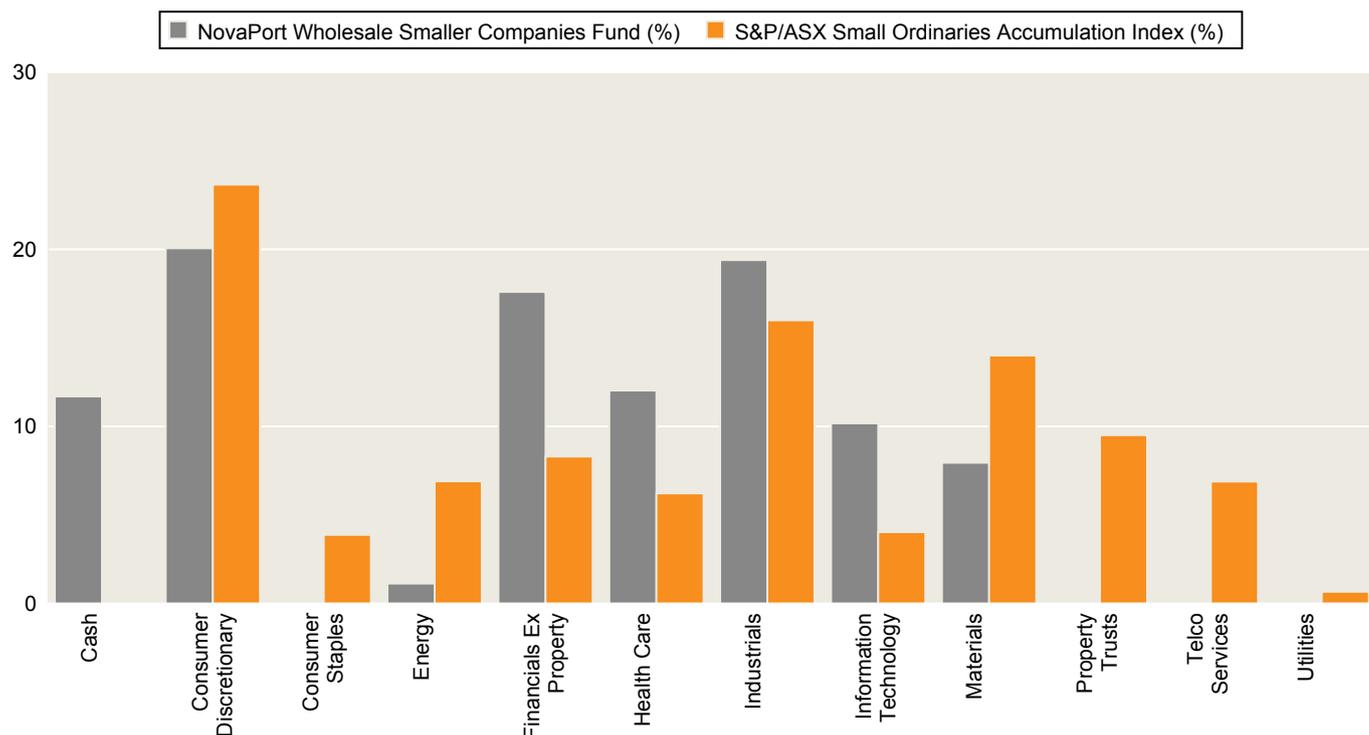
Fund facts	
Inception date	31 December 2002
Fund size	\$129.5M
APIR code	HOW0016AU

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 October 2014



Market overview

The S&P/ASX Small Ordinaries Accumulation Index declined 0.54% over October, following a particularly weak September. Despite better performance from Telecommunications, Property Trusts, Financial and Consumer Discretionary stocks, Materials and Energy stocks once again dragged the Index lower. Small Caps substantially (-5.2%) underperformed the larger S&P/ASX 100 benchmark, which was boosted by a strong performance from the banks sector.

Despite a weaker Australian Dollar, the Resources sectors continue to struggle against weak commodity prices. With an increasing consensus that Chinese economic growth will persist at a more moderate pace and continued angst over the European growth outlook, investors seem to struggle to get excited about the outlook for commodities. Continuing signs of (gradually) improving economic performance in the USA provides some upside, however also means that commodity prices have had to deal with a stronger USD. The poor sentiment was also reflected in generally weaker performances from Resource Services companies.

A number of companies held their Annual Shareholder Meetings during October, at which many provide an insight into the early FY15 trading conditions. So far we have seen relatively few surprises with most providing little change from their cautious rhetoric at their FY14 full year results statements. Housing construction continues to be an area of strength and some companies also highlighted the potential for future growth driven by government backed infrastructure capex. Overall market expectations appear to be aligned with the corporates' outlook statements.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -0.54% for October. The fund outperformed the market and delivered a +1.84% return over October.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Sirtex Medical Limited	Health Care	3.29	0.57
Fisher & Paykel Healthcare Corporation Limited	Health Care	4.38	0.35
Retail Food Group Ltd	Consumer Discretionary	2.52	0.29

Sirtex Medical Limited

Sirtex is delivering robust growth in sales volumes of its SIR-Spheres liver cancer treatment. At the recent Annual General Meeting management disclosed dose sales growth of 28.7% during the opening months of FY15. The company continues to invest in new



studies to support further growth. This includes new studies to investigate the application of the technology to treating cancer in the kidney.

Fisher & Paykel Healthcare Corporation Limited

Fisher & Paykel Healthcare is a New Zealand based company however the bulk of its revenues are derived from sales in markets such as the USA and Europe, thus a weaker New Zealand dollar should translate to improving domestic currency earnings. Following a period of consolidation the company has delivered stronger than expected volume and margin growth and investors have responded positively.

Retail Food Group Ltd

Retail Food Group is continuing its acquisitive growth path with the announcement of its purchase of Gloria Jeans Coffees. The company believes that the transaction aligns with the existing activities of RFG and will be earnings accretive from the outset. We note that since its listing in June 2006 the company has a proven track record of growing earnings through acquisition.

Key detractors

Security name	Sector	Active weight %	Value added %
Saracen Mineral Holdings Ltd	Materials	1.22	-0.28
Transfield Services Limited	Industrials	-0.89	-0.20
Prime Media Group Limited	Consumer Discretionary	2.09	-0.14

Saracen Mineral Holdings Ltd

Despite positive news flow from the company regarding rising volumes and diminishing costs per ounce of production, Saracen has been hit by negative sentiment as the gold price declines as the US exits its quantitative easing phase and looks to the normalisation of interest rates from unsustainably low levels. We note Saracen's material share price decline doesn't seem to have factored in the beneficial offset of a weaker Australian dollar as the US dollar gold price declines.

Transfield Services Limited

Not held by the fund.

Prime Media Group Limited

No company specific news flow over the month. However, similar to other smaller media companies, Prime Media's share price continues to be adversely impacted by negative sentiment as advertising spend remains weak with limited upside expected over the short term.

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