

NovaPort Wholesale Smaller Companies Fund

Monthly report - October 2015

Performance #	1 month %	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	5.46	-0.85	1.35	13.19	12.78	11.13	15.36
Growth return	5.46	-0.98	-6.23	8.30	8.61	0.84	5.60
Distribution return	-	0.13	7.58	4.89	4.17	10.29	9.76
S&P/ASX Small Ordinaries Accumulation Index	7.12	1.36	2.43	0.63	-1.83	1.49	6.42
Active return [^]	-1.66	-2.21	-1.08	12.56	14.60	9.64	8.94

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 2015 (%)	Range (%)
Security	88.28	80-100
Cash	11.72	0-20

Top 5 active positions as at 31 October 2015	Fund weight (%)	Index weight (%)	Active weight (%)
Flexigroup Ltd	4.99	0.69	4.31
Fisher & Paykel Healthcare Corporation Limited	4.35	0.49	3.86
Japara Healthcare Ltd	4.40	0.63	3.77
Village Roadshow Limited	3.91	0.50	3.42
Ebos Group Ltd	3.41	0.00	3.41

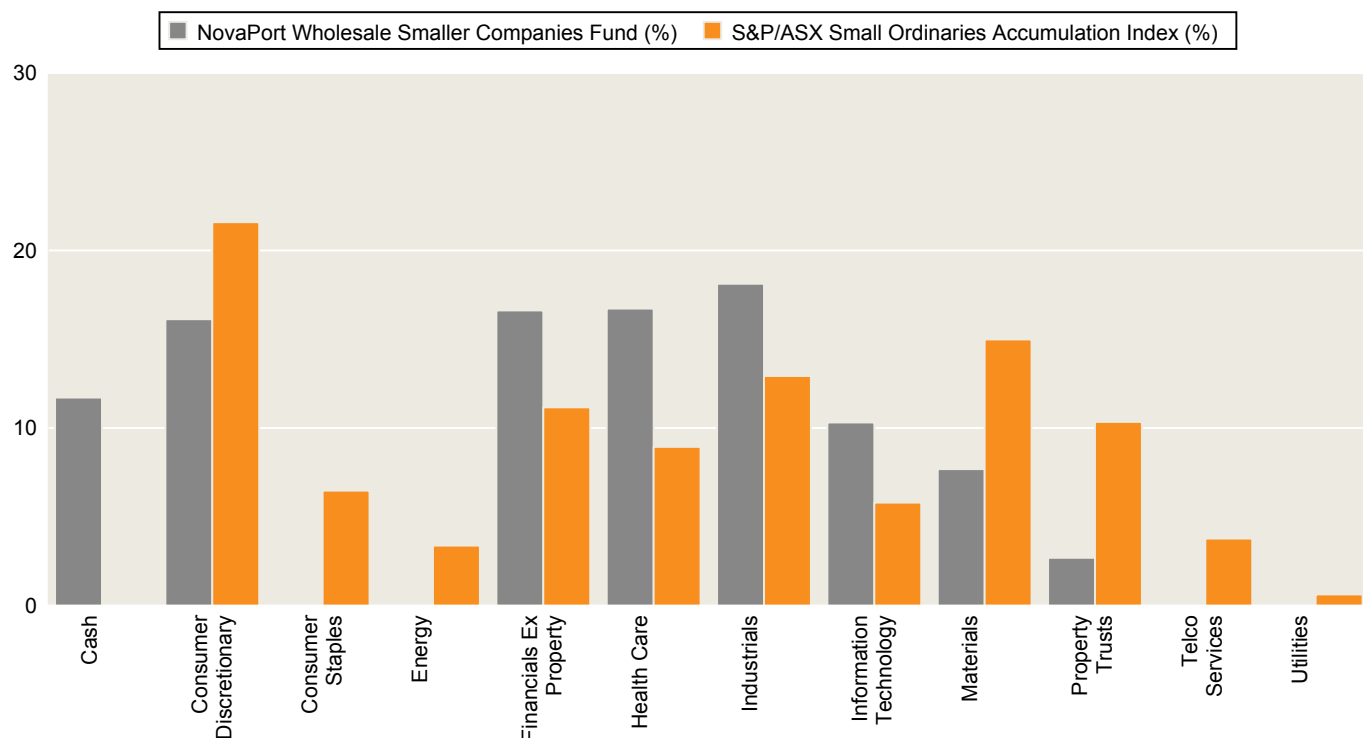
Fund facts	
Inception date	31 December 2002
Fund size	\$189.8M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2014-2015 ICR	1.58%
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 2015



Market overview

The Small Ordinaries Accumulation Index was up a very strong 7.12% over October, making it the third best monthly performance in three years. Industrial companies were up a solid 5.81% but were overshadowed by energy and mining stocks up 16.21%. With end of year in sight the smaller companies market is tracking towards its second positive calendar year performance in five years.

Macro events continue to be a major driver with major international equities markets staging a strong come back in October. The US Federal Reserve's cautious approach to lifting interest rates in fear of roiling markets, a relatively benign US quarterly reporting season and the abatement of China related concerns triggered a relief rally after a nervous couple of months in the lead up to August wiped out gains achieved for the year.

On the local front, the RBA continues to keep rates steady with consumer and business confidence indicators showing signs that a prolonged period of low interest rates (plus the benefit of a weaker currency) is finally starting to have the desired effect. A dampener for the month was concern regarding the rate of decline in growth rates for housing related activity as we move through the peak of the housing cycle. However, it's worth noting on that point that we are only now starting to see building materials companies reporting the benefit of improved product pricing as a result of solid demand levels which may suggest it's too early to call the end of the cycle from an investment perspective.

Meanwhile, as is always the case this time of year, the biggest stock price movements were mostly attributable to trading updates issued with annual general meeting commentary. Management comments across the board in October did not suggest any major changes in sentiment or trading conditions since reporting season. In the absence of tailwinds across the economy (apart from housing), it is companies with tangible growth strategies or superior management skills that were able to post positive updates in the current low growth environment.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +7.12% for October. The fund underperformed the market and delivered a +5.46% return over October.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Flexigroup Ltd	Financials Ex Property	4.31	0.88
Fisher & Paykel Healthcare Corporation Limited	Health Care	3.86	0.28
Qube Holdings	Industrials	3.10	0.24



Flexigroup Ltd

Flexigroup's share price had underperformed over the last year as investors lost interest in the waning growth profile and were concerned about the possible dilution from flagged acquisitions. The company announced the purchase of the Fisher and Paykel NZ credit card business for an attractive multiple, leading to earnings upgrades rather than the feared dilution. The share price rallied from an oversold position on this announcement.

Fisher & Paykel Healthcare Corporation Limited

Fisher and Paykel recently hosted investor days to update the market on its strategy and progress in key markets. The company continues to develop new products to maintain its share in the hospital ventilation and home based OSA markets. It is also gaining strong traction in new markets such as humidified ventilation for patients suffering from COPD as well as the use of humidification of gases used in the surgical theatre. These updates provided further support to the strong investor sentiment towards Fisher and Paykel.

Qube Holdings

With >20% of Qube's Ports & Bulk revenues derived from road haulage and port services for iron ore, the softer AUD and lower operating costs for Qube's iron ore producing customers may have driven a rally in the stock during October. Irrespective of the short term fluctuations in commodity related revenue Qube remains a growth focused import/export logistics business with longer term growth underpinned by development of the Moorebank intermodal terminal run by a strong management team.

Key detractors

Security name	Sector	Active weight %	Value added %
Credit Corp Group	Industrials	2.07	-0.45
SAI Global Limited	Industrials	3.32	-0.38
Peet Ltd	Property Trusts	2.69	-0.37

Credit Corp Group

Credit Corp Group's share price declined following the announcement of a US debt purchaser acquiring a stake in an Australian competitor as well as the announcement that it would be exiting the provision of consumer loans with a duration less than one year (about 10% of its finance book). The company has subsequently upgraded its earnings guidance and highlighted better than expected volumes in Australia and improving operational performance from its US business.

SAI Global Limited

SAI Global's share price declined on little new newsflow. The company continues to rationalise its cost base and refocus its sales efforts following a disruptive and aborted renewal of its delivery platforms. The new management team have strong operational experience within the business and have adopted a realistic and simplified approach to sales, distribution and marketing.

Peet Ltd

Peet's share price remains weak in the absence of any company specific news flow. That said, the stock has been weighed down by concerns that the housing cycle is peaking. The company's exposure to the West Australian residential sector remains the key source of concern with the down turn in the resources sector adversely impacting demand for new residential land and home packages.

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