

# NovaPort Wholesale Smaller Companies Fund

Quarterly report - September 2014

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	2.06	7.03	19.92	14.20	12.37	16.58
Growth return	1.77	3.13	16.38	11.38	1.53	6.55
Distribution return	0.29	3.90	3.54	2.82	10.84	10.03
S&P/ASX Small Ordinaries Accumulation Index	1.49	-0.07	1.71	-0.28	3.60	6.87
Active return <sup>^</sup>	0.57	7.10	18.21	14.48	8.78	9.71

**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 30 September 2014 (%)	Range (%)
Security	87.15	80-100
Cash	12.85	0-20

Top 5 active positions as at 30 September 2014	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	4.05	0.00	4.05
Technology One Limited	4.21	0.58	3.64
CSR Limited	3.43	0.00	3.43
Sirtex Medical Limited	4.24	1.09	3.15
Austbrokers Holdings Ltd	2.96	0.00	2.96

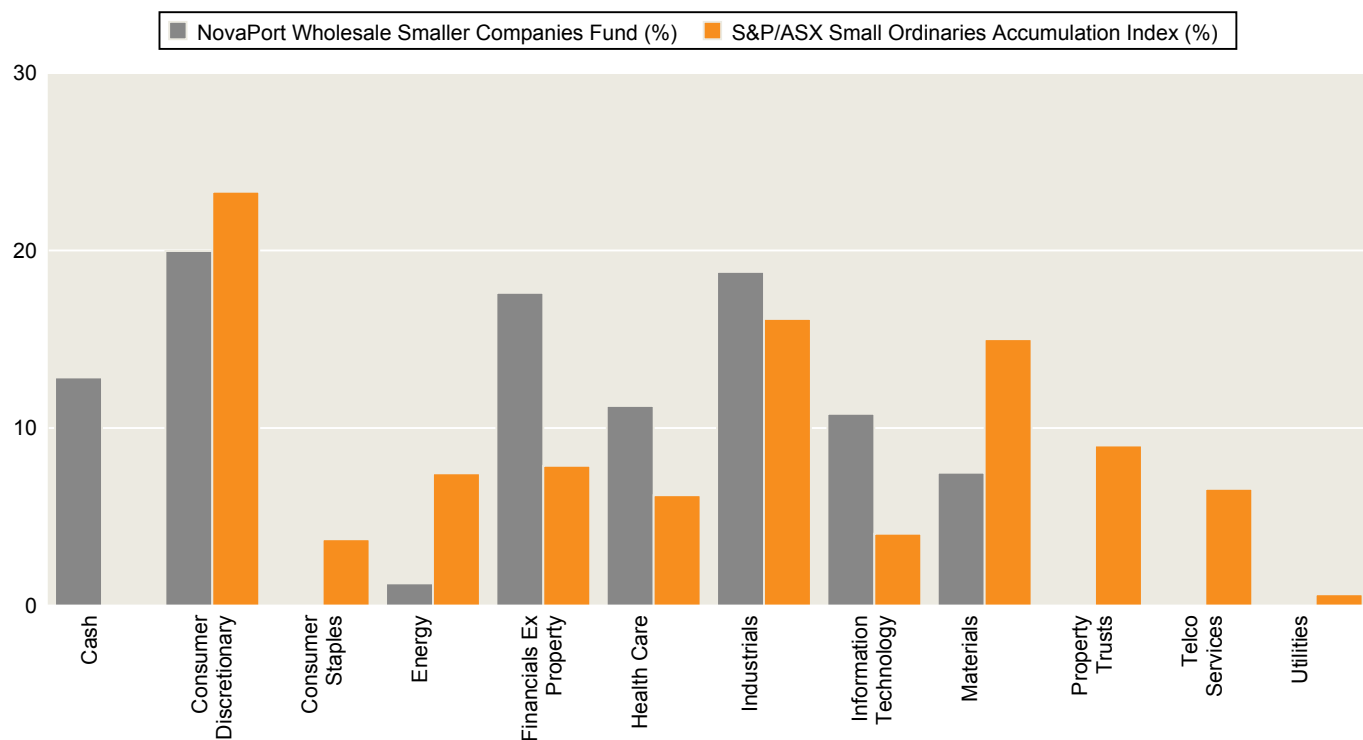
Fund facts	
Inception date	31 December 2002
Fund size	\$122.2M
APIR code	HOW0016AU

Fees	
Entry fee	Nil
2013-2014 ICR	2.59%
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	+0.30% / -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.

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

## Sector exposure as at 30 September 2014



### Market overview

The S&P/ASX Small Ordinaries Accumulation Index declined 5.47% over September, it's worst month since June last year. The key driver was the 13.19% fall in the Resources sector compared to a 3.44% decline in Industrials for the month.

While the markedly weak performance in September dragged down the three month performance, the Small Ordinaries nevertheless still managed to finish the quarter up 1.49%. The divergence between Resources and Industrials extended over the quarter with the former down 8.59% while Industrials were up 4.22%.

The miners were materially impacted by weak commodity prices across the board over September with a slowdown in China adversely impacting sentiment (for iron ore especially) as well as a strengthening in the US dollar.

The key event for Industrials over the quarter was reporting season. Results for June 30 were generally in line with expectations prior to reporting season and as such there were no material changes to earnings growth estimates for the current financial year.

As expected, management commentary was largely reflective of the consensus view that general economic conditions were subdued over the last two quarters of the year reflecting the impact of the Federal budget and associated "austerity" commentary, weak consumer and business sentiment, still strong local currency and adverse effect of the wind down of growth capex in the resources sector.

### Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned +1.49% for the quarter. The fund outperformed the market and delivered a +2.06% return over the quarter.

### Performance of key securities

#### Key contributors

Security name	Sector	Active weight %	Value added %
Sirtex Medical Limited	Health Care	3.15	0.77
Iress Market Technology Limited	Information Technology	2.78	0.56
Oakton Limited	Information Technology	1.59	0.55

#### Sirtex Medical Limited

Sirtex is undertaking significant investment in marketing and clinical trials to expand the use of its liver cancer treatment. The company has also generated strong earnings growth, and will benefit from a weaker Australian currency. In addition to its treatment



for metastatic colorectal liver cancer, the company is now looking at whether its technologies have applications in the treatment of alternative cancers, including those in organs other than the liver.

### **Iress Market Technology Limited**

Iress has commenced the current period with positive earnings momentum. The company is making positive progress integrating the recently acquired UK wealth management business and continues to seek strategic and accretive expansion opportunities. The Australian wealth management business continues to perform strongly and the Australian Financial Markets business displayed signs of stabilisation.

### **Oakton Limited**

On 12 August Oakton informed the market that it had received a cash offer from Dimension Data to acquire the entire company at \$1.90 per share. The offer is recommended by the board and represented an almost 30 percent premium to the last traded price.

### **Key detractors**

Security name	Sector	Active weight %	Value added %
Transpacific Industries Ltd	Industrials	1.78	-0.47
SAI Global Limited	Industrials	2.26	-0.47
TPG Telecom Ltd	Telecommunication Services	-1.82	-0.35

### **Transpacific Industries Ltd**

Following an extensive review, Transpacific reported an increased provision for remediation of its landfills. The review found that in previous years the company had underprovided for the costs to retire their landfills sites. At the same time as reporting this, the company announced that one of its trucks was also involved in a fatal motor vehicle accident on a notorious South Australian intersection. The transition of the management team continues with Brendan Gill being appointed as the CFO at the end of the period.

### **SAI Global Limited**

SAI's share price fell as the company failed to secure a full takeover bid for the business. The chairman has assumed executive responsibilities while the company undertakes a search for a new chief executive. Operationally the business has performed in line with expectations and will be a beneficiary of a weaker Australian currency.

### **TPG Telecom Ltd**

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.

