

NovaPort Wholesale Smaller Companies Fund

Quarterly report - September 2015

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Inception % p.a.
Fund return	-4.03	-2.13	12.17	11.60	10.40	14.99
Growth return	-4.15	-9.45	7.32	7.48	0.18	5.20
Distribution return	0.12	7.32	4.84	4.12	10.22	9.79
S&P/ASX Small Ordinaries Accumulation Index	-3.90	-4.90	-1.22	-2.54	0.41	5.89
Active return [^]	-0.12	2.76	13.39	14.14	9.99	9.10

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 30 September 2015 (%)	Range (%)
Security	83.32	80-100
Cash	16.68	0-20

Top 5 active positions as at 30 September 2015	Fund weight (%)	Index weight (%)	Active weight (%)
Fisher & Paykel Healthcare Corporation Limited	4.60	0.46	4.14
SAI Global Limited	4.44	0.85	3.59
Japara Healthcare Ltd	4.20	0.61	3.58
Village Roadshow Limited	3.88	0.49	3.39
Austbrokers Holdings Ltd	3.23	0.00	3.23

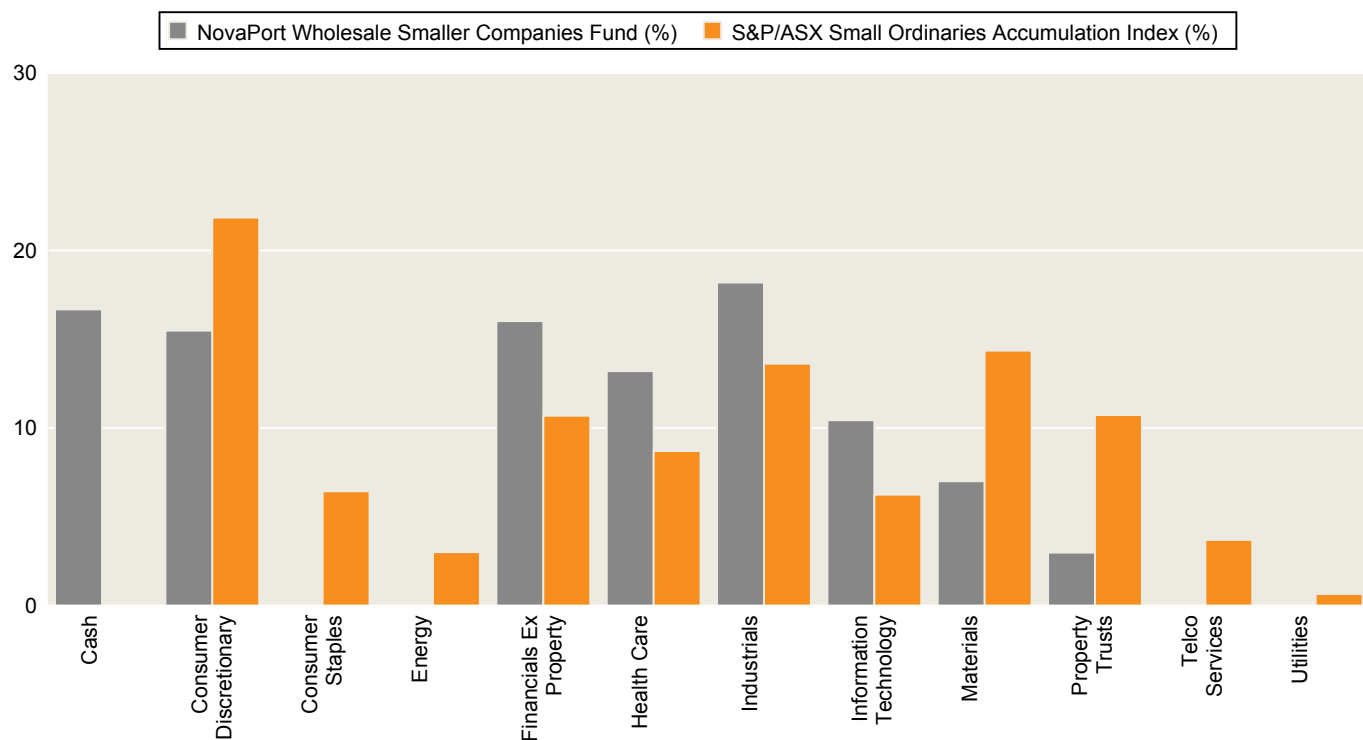
Fund facts	
Inception date	31 December 2002
Fund size	\$180.4M
APIR code	HOW0016AU

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 30 September 2015



Market overview

During the September quarter 2015, the Australian Small Ordinaries continued to play on the swings and the roundabouts, trading within a range defined over four years past. The benchmark lost 7.5% of its value over the July and August, then a rally commenced in September which trimmed these losses to 3.9% for the quarter. Once again, selling pressure was concentrated on resources stocks, which suffered a hefty 25% aggregate decline over the quarter while industrials were flat.

Much of the weakness in the resources sector can be explained by ongoing concerns surrounding the health of the Chinese economy. The Chinese stock market collapsed by nearly 27% over just 10 days during August. The US and local share market mirrored this mini collapse to varying degrees. Another notable external influence during the quarter was US monetary policy, where expectations for the timing of an increase in the United States Federal Reserve (Fed) funds rate were again extended.

Despite market gyrations, earnings results posted by smaller companies during August were on the whole in line with expectations and certainly better than those reported over recent years. This is consistent with our view that the market's current expectations are generally achievable and realistic, which we believe represents a sound foundation for investors. The US quarterly earnings season is underway at the time of writing and the coming weeks will provide an update on the health of many global industries.

Hefty falls in commodity prices and the Australian dollar over the last year have had a substantial impact on the underlying profitability of many companies in our universe. Much of this has been reflected in share prices however as the dust settles it is inevitable that investment opportunities will emerge.

Fund performance summary

The S&P/ASX Small Ordinaries Accumulation Index returned -3.90% for the quarter. The fund underperformed the market and delivered a -4.03% return over the quarter.

Performance of key securities

Key contributors

Security name	Sector	Active weight %	Value added %
Liquefied Natural Gas Ltd	Energy	-0.57	1.06
Servcorp Limited	Financials Ex Property	3.04	0.58
Beach Energy Limited	Energy	-0.41	0.54

Liquefied Natural Gas Ltd

Not held by the fund.



Servcorp Limited

Servcorp continues to deliver strong earnings growth from its internationally diversified serviced office business. Signs of a turnaround in the loss making US operations have given the market a further sentiment boost. The company has expanded its footprint with new premium space in New York and London and the early signs are good that it will be able to tenant these spaces promptly.

Beach Energy Limited

Not held by the fund.

Key detractors

Security name	Sector	Active weight %	Value added %
Independence Group NL	Materials	2.01	-1.02
APN News & Media Limited	Consumer Discretionary	2.29	-0.76
Western Areas Limited	Materials	1.54	-0.65

Independence Group NL

Independence Group has increased its exposure to nickel prices with the acquisition of Sirius Resources. Investor dissatisfaction with the merger may also have seen some selling. The company continues to report robust operational performance from its high quality operations.

APN News & Media Limited

While the APN's results were marginally weaker than anticipated, the market reaction was surprising and the share price has continued to fall with investor indifference. The company's earnings are dominated by radio and outdoor advertising, both of which are enjoying growth. Its print media positions are strong in their respective markets and have online positions which in our view are not yet fully monetised.

Western Areas Limited

Weaker nickel prices continue to undermine Western Areas profitability. The company has high grade mines which continue to be economic despite extraordinarily weak commodity prices, and no debt. Western Areas continues to prospect for new discoveries however until nickel prices improve, is unlikely to see much recognition for its underlying asset quality or exploration success.

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