NovaPort Smaller Companies Fund

Quarterly fund report and commentary – 31 March 2012

Performance[1]	Quarter (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a.)
NovaPort Smaller Companies Fund	**10.44**	**-1.61**	**23.35**	**3.61**	**14.25**
Growth return	9.14	-5.40	20.47	-5.31	2.45
Distribution return	1.30	3.79	2.89	8.92	11.80
S&P/ASX Small Ordinaries Accumulation Index	14.98	-8.57	17.93	-3.85	8.93
Active Return	-4.54	10.18	5.42	7.46	5.32
NovaPort Wholesale Smaller Companies Fund	**10.75**	**-0.55**	**24.67**	**4.70**	**15.88**
Growth return	9.24	-4.05	21.44	-3.60	4.04
Distribution return	1.51	3.50	3.23	8.30	11.84
S&P/ASX Small Ordinaries Accumulation Index	14.98	-8.57	17.93	-3.85	9.78
Active Return	-4.23	8.02	6.74	8.55	6.10
NovaPort Premier Smaller Companies Fund	**10.73**	**-0.57**	**24.66**	**4.70**	**18.25**
Growth return	9.22	-5.59	20.69	-6.22	3.40
Distribution return	1.52	5.03	3.97	10.93	14.85
S&P/ASX Small Ordinaries Accumulation Index	14.98	-8.57	17.93	-3.85	6.65
Active Return	-4.25	8.00	6.73	8.55	11.60

Past performance is not a reliable indicator of future performance.

[1] 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.

Investment objective

The Fund is designed to provide investors with a diversified portfolio of smaller Australian companies and aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling three-year periods.

Investment manager

NovaPort Capital Pty Limited

Investment strategy

NovaPort is a benchmark unaware, active investment manager. NovaPort's approach to managing the Fund is based on paying a reasonable price for companies with an improving profit growth profile, while paying particular attention to the underlying quality of company earnings and management.

Distribution frequency

Quarterly

Suggested minimum investment timeframe

At least five years

Asset allocation	As at 31 March 2012 (%)	Range (%)
Securities	90	80-100
Cash	10	0-20

Top five active positions as at 31 March 2012	Fund weight (%)	Index weight (%)	Active weight (%)
Austbrokers Holdings	4.05	0.00	4.05
Cardno	3.83	0.00	3.83
Fisher & Paykel Healthcare Corp.	3.79	0.00	3.79
Beach Energy	3.68	0.00	3.68
Technology One	3.42	0.00	3.42

Fund facts	NovaPort Smaller Companies Fund	NovaPort Wholesale Smaller Companies Fund	NovaPort Premier Smaller Companies Fund
Inception date	13/09/2002	31/12/2002	03/07/2000
Fund size ($M)	19.0	38.3	189.6
APIR code	HOW0017AU	HOW0016AU	HOW0018AU

Fees	NovaPort Smaller Companies Fund	NovaPort Wholesale Smaller Companies Fund	NovaPort Premier Smaller Companies Fund
Entry fee	Up to 4%	Nil	Nil
2010/2011 ICR	2.00%	0.95%	0.95%
Management fee	2.00%p.a.	0.90% p.a.[1]	0.95%p.a.
Performance fee	Nil	20% of the differences between the Fund's gross return (before fees and expenses) and the daily return of the ASX Small Ordinaries Accumulation Index plus 0.90% p.a.[2]	Nil
Buy/sell spread	+0.40%/-0.40%	+0.40%/-0.40%	+0.40%/-0.40%

[1] 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.

[2] The performance fee was introduced from 1 October 2011.

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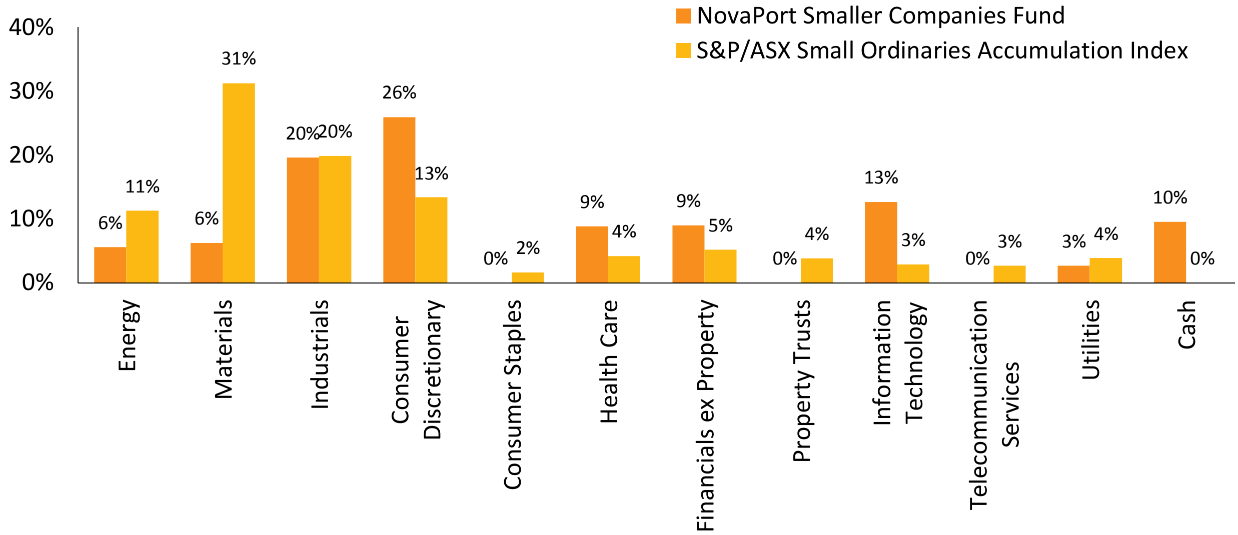
Sector exposure as at 31 March 2012



Commentary

The Australian Small Caps market (S&P/ASX Small Ordinaries Index) ended the March quarter +15.0%, outperforming the broader equities market (S&P/ASX 300 Accumulation Index) which returned +8.6% over the same period. The divergence of Small Industrials (+18.9%) and Small Resources (+8.9%) continued, as concerns over China's growth outlook remained.

Global equity markets continued their strong momentum over March quarter (MSCI World: +10.9%, S&P500: +12.0%), supported by evidence of stability in Europe. Eurozone leaders agreed on a €130 billion bailout package after the announcement of the debt swap for Greek bond holders. Falling yields supported the improvement in appetite for riskier assets. While more positive US economic data, especially on the employment and manufacturing front and a commitment from the Fed to maintain its loose monetary policy, continued to provide an element of support for equities. The only real piece of negative news over the period for investors centred on concerns regarding the slowdown in China as policy makers cut economic growth targets for 2012 from 8.0% to 7.5%. Despite this, investors were encouraged by efforts of the People's Bank of China to support the Chinese economy after they cut the reserve requirements for banks.

Domestically, the focus over the quarter was on reporting season where results came in broadly in line with previously downgraded forecasts. The strong outperformance of Industrials and Consumer Discretionary (+9.2% & +13.4% respectively) stood out although this was more a result of earnings not disappointing as much as expected rather than improved outlooks.

On the macroeconomic front, the data was disappointing. Weak 4Q11 GDP was weighed down by sluggish construction activity across all sectors. In a surprise decision, the RBA decided to leave rates on hold at 4.25%, although this did not stop the banks from initiating out-of-cycle rate rises. The January consumer confidence index rose 4.2% to 101.1 reflecting earlier mortgage cuts while the surprise fall in unemployment (5.2% to 5.1%) in January was the most notable positive data release. Housing was weak, with home sales falling 1.2% (month on month) in January while business conditions remained sluggish in the non-resource sector.

The portfolio underperformed its benchmark over the quarter. Key contributors to returns were overweight positions in Cardno, Horizon Oil and Cash Converters. Detracting from returns were overweight positions in Saracen Mineral Holdings, Fisher and Paykel Healthcare and Transpacific Industries.

Key contributors

Cardno: 41.17%
Cardno rallied on the back of its 1H FY2012 profit announcement of $36.1 million, representing an increase of up to 13.9% on the previous corresponding period. Management attributed the growth to a continuing strong performance from the US operations, improving conditions in Australia and the contribution from recent acquisitions.

Horizon Oil NI: 60.00%
Horizon Oil outperformed over the month on the back of positive developments in its PNG and China operations. Confirmation of the US$160m reserves-based debt facility (which will be used to fund the Stanley development) which is expected in the coming weeks was also viewed favourably by investors.

Cash Converters International: 27.57%
Cash Converters' result met market expectations, confirming the trend for strong revenue growth. Furthermore the share price bounced following comments from the Government that the proposed changes to legislation regulating pay day lending may be too onerous.

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Key detractors

Saracen Mineral Holdings: -25.33%
Saracen's shares fell after it reported a 2.2% rise in profits from mining operations (NPAT $9.6 million) for the first half of FY2012. The key driver of the share price fall was disappointing news flow regarding higher production costs and lower than expected grades.

Fisher & Paykel Healthcare Corporation: -5.65%
Fisher & Paykel Healthcare Corporation lagged the broader market as investors shunned stocks with perceived defensive attributes due to equity markets generally reflecting a return to "risk on" by investors as well as continued strength in the Australian dollar.

Transpacific Industries: -4.29%
Transpacific Industries underperformed after its first half FY2012 result failed to excite investors on the back of modest growth from its Waste businesses. However, with a lower level of financial risk going forward (post last year's debt restructure), management can now focus on operational initiatives which, in combination with a stronger economy, underpin a valuation materially higher than the current share price.