

# NovaPort Smaller Companies Fund

## Monthly fund report and commentary – November 2012

Performance <sup>2</sup>						
	1 month (%)	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a.)
<b>NovaPort Smaller Companies Fund<sup>1</sup></b>	<b>1.12</b>	<b>7.77</b>	<b>18.92</b>	<b>9.50</b>	<b>2.75</b>	<b>14.66</b>
Growth return	1.12	7.50	15.66	7.28	-2.36	3.53
Distribution return	0.00	0.27	3.25	2.22	5.11	11.14
S&P/ASX Small Ordinaries Accumulation Index	-2.43	3.16	-1.20	-1.48	-7.97	7.19
Active return	3.56	4.60	20.12	10.97	10.72	7.47
<b>NovaPort Wholesale Smaller Companies Fund</b>	<b>1.06</b>	<b>7.42</b>	<b>17.42</b>	<b>9.80</b>	<b>3.35</b>	<b>16.01</b>
Growth return	1.06	6.88	13.35	7.26	-0.85	4.86
Distribution return	0.00	0.54	4.07	2.54	4.20	11.15
S&P/ASX Small Ordinaries Accumulation Index	-2.43	3.16	-1.20	-1.48	-7.97	7.91
Active return	3.49	4.25	18.62	11.28	11.32	8.10
<b>NovaPort Premier Smaller Companies Fund</b>	<b>1.22</b>	<b>8.05</b>	<b>20.14</b>	<b>10.64</b>	<b>3.83</b>	<b>18.45</b>
Growth return	1.22	7.53	16.06	7.52	-3.10	4.28
Distribution return	0.00	0.52	4.08	3.12	6.93	14.17
S&P/ASX Small Ordinaries Accumulation Index	-2.43	3.16	-1.20	-1.48	-7.97	5.36
<b>Active return</b>	<b>3.65</b>	<b>4.89</b>	<b>21.34</b>	<b>12.12</b>	<b>11.81</b>	<b>13.08</b>

Past performance is not a reliable indicator of future performance.

<sup>1</sup> The Fund is closed to new investments including initial and additional applications.

<sup>2</sup> 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 that aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling three-year periods.

### Responsible entity

Fidante Partners Limited

### Investment manager

NovaPort Capital Pty Limited

### 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 November 2012

		Range (%)
Securities	91.93	80-100
Cash	8.07	0-20

### Top five active positions as at 30 November 2012

	Fund weight (%)	Index weight (%)	Active weight (%)
Sirtex Medical Limited	4.88	0.00	4.88
Cash Converters International	4.47	0.31	4.16
Fisher & Paykel Healthcare	4.12	0.00	4.12
Austbrokers Holdings	4.05	0.00	4.05
Flexigroup	4.82	0.85	3.96

### Fund facts

	NovaPort Smaller Companies Fund <sup>1</sup>	NovaPort Wholesale Smaller Companies Fund	NovaPort Premier Smaller Companies Fund
Inception date	13/09/2002	31/12/2002	03/07/2000
Fund size (\$M)	18.45	41.00	2.52
APIR code	HOW0017AU	HOW0016AU	HOW0018AU

### Fees

	NovaPort Smaller Companies Fund <sup>1</sup>	NovaPort Wholesale Smaller Companies Fund	NovaPort Premier Smaller Companies Fund
Entry fee	Up to 4%	Nil	Nil
2011/2012 ICR	2.00%	2.39%	0.95%
Management fee	2.00% p.a.	0.90% p.a. <sup>2</sup>	0.95% p.a.
Performance fee	Nil	20% of the difference 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. <sup>3</sup> This is capped at 2.00% p.a.	Nil
Buy/sell spread	+0.40%/-0.40%	+0.40%/-0.40%	+0.40%/-0.40%

<sup>1</sup> The Fund is closed to new investments including initial and additional applications.

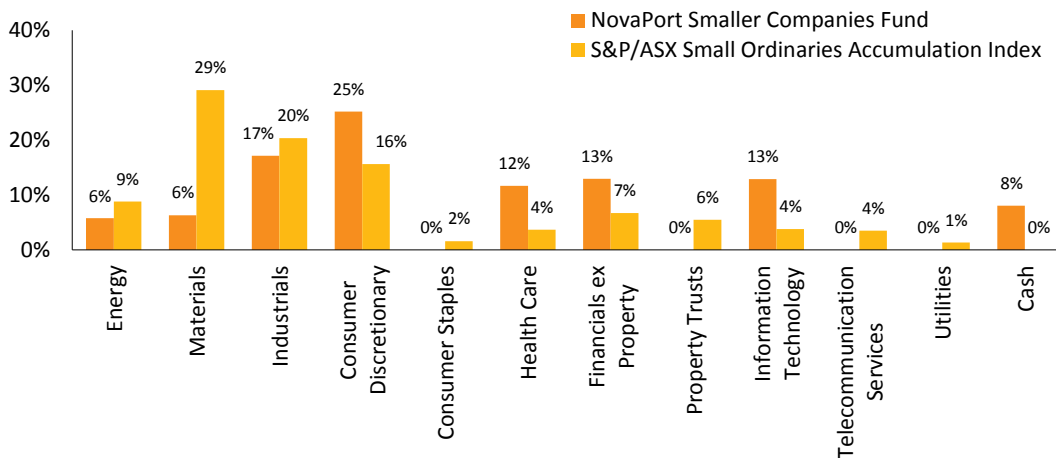
<sup>2</sup> Up to and including 30 September 2011, the management fee was 0.95% p.a. From 1 November 2011, the management fee reduced to 0.90% p.a.

<sup>3</sup> The performance fee was introduced from 1 November 2011.

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### Sector exposure as at 30 November 2012



### Commentary

The S&P/ASX Australian Small Ordinaries Accumulation Index retreated 2.43% during the month, underperforming the ASX300 Accumulation Index which gained 0.4%.

The cash rate remained steady in November at 3.25% despite the Reserve Bank of Australia's (RBA) concerns over a worsening global growth outlook and continued economic contraction in Europe. The broad equity market index delivered weakly positive returns, although it was held back by the relatively poor performance of the resources sector. Investors continued to seek high yielding and defence stocks, as evidenced by strong returns in the Healthcare, Telecommunications and Financial sectors.

The December rate cut is intended to spur activity in the retail sector as well as other non-mining related industries, especially housing. Unemployment remained static at 5.4%, its highest level since April 2010.

Globally, sentiment improved following the positive conclusion of protracted negotiations between the troika and Greece regarding further austerity measures to unlock bailout funding. Nevertheless, the outlook for the Eurozone remains weak at best. Improved US labour force data showed that US unemployment had fallen to a four year low of 7.7 per cent. However, uncertainty remains regarding political discussions to minimise the economic impact of spending cuts and tax increases due for implementation as of next year.

On the upside, stronger than expected industrial production and retail spending figures in November have seen China's 2013 GDP predictions rise to 8-8.5 per cent. In addition the Purchasing Managers Index (PMI) has risen above 50, indicating economic expansion. An improvement in China's outlook has the potential to greatly improve confidence in the domestic market.

### Key contributors

#### Cash Converters: up 15.25%

Cash Converters continued to perform strongly following the release of quarterly earnings results in November that were well ahead of expectations.

Furthermore, the company's website recorded significant momentum in their online loan advances and online store sales.

#### Fisher & Paykel Healthcare: up 8.46%

Fisher & Paykel design, manufacture and market heated humidification products and systems for respiratory and obstructive sleep apnoea. The company released their earnings results which showed an 18% increase in net profit after tax to NZ\$33.3 million.

#### Ten Network: up 30.08%

Following a period of prolonged underperformance, Ten Network rose in November on no material, company specific news. However, early December has seen the company raise another \$230m in new equity and announce a cost reduction program expected to deliver savings of \$35m. Following the capital raising, the company is expected to be a positive net cash position.

### Key detractors

#### Austral: down 47.89%

Shipbuilding company, Austral Limited announced a rights issue to raise up to \$86m. The company is experiencing headwinds from the high Australian dollar and the European recession. However, Austral has considerable upside potential from its US earnings as work from its Navy contracts increases.

#### Skilled Engineering: down 13.53%

Skilled Engineering provides contract labour services to industry, commerce and government in Australia and New Zealand. The price declined over the month following AGM commentary released in late October highlighting that, while the company is generally performing to expectations, the general environment remains difficult.

#### Cardno: down 25.57%

Cardno reported strong organic revenue growth over the period, however increasing competition and higher costs have seen margins come under pressure. The company has also been adversely affected by delays following the US election and an estimate \$1m impact from Hurricane Sandy.

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