

#### SIF Portfolio Commentary

Smallco Investment Fund (SIF) was up 2.4% for the September quarter versus the Small Ordinaries Index down -1.9%. SIF had a good August reporting season with solid results and positive outlook commentary from the majority of the Fund's holdings. Some positive performance was given back through September with the "higher for longer" rates narrative gaining traction. This resulted in a rapid increase in bond yields which put downward pressure on equity markets and in particular valuations of higher quality growth companies.

Longstanding major holdings Audinate (AD8) and Altium (ALU) were the Fund's standout performers over the August reporting season. Audinate capitalised on its strong market position and an easing of supply chain constraints to deliver a FY23 result well ahead of consensus. The outlook commentary indicated it expected its strong historic revenue growth rates (+25%) to be maintained into FY24 which drove further consensus upgrades.

Altium's FY23 result was largely in line with market forecasts but allayed concerns regarding the outlook for growth in subscriber numbers. Altium also showed good traction in the enterprise segment of the market, both of which are positive for its longer-term growth outlook.

Two more recent additions to SIF, PWR Holdings (PWH) and Carsales.com (CAR) also performed strongly in the quarter. PWR is a founder led business that provides advanced cooling solutions to the motorsports, high end automotive, defence and aerospace sectors. PWR's pipeline continues to expand and it is investing in expanding its manufacturing capacity in Australia and offshore. With its market leading intellectual property, PWR is well placed to capitalise on increasing demand for its high performance battery and electronics cooling products.

Carsales is a business that SIF has been intermittently invested in since its listing back in 2009. It operates leading online automotive, recreational vehicle and powersports market places in Australia, Korea, USA and Brasil. Carsales earnings growth has increased in recent years with good execution domestically and offshore. The FY23 result detail showed all major regions performing well and the group on track for another year of double-digit growth in FY24.

Wisetech (WTC) was the largest negative contributor in the quarter. While the FY23 result was in line with high expectations, management flagged a step up in R&D investment and an increase in costs integrating recent acquisitions would dampen the FY24 margin outlook. With nothing in the result to call into question the core Cargowise growth outlook and with recent traction with key customers in the adjacent customs vertical, we remain strong supporters of Wisetech's long term growth potential.

We expect it will take further evidence of slowing economic growth in the US for bond rates to recede. With central banks still walking the tightrope between keeping rates high enough to slow growth and bring down inflation whilst avoiding recessionary scenarios which are not yet captured in market expectations, the outlook remains uncertain.

Our cash levels remain healthy and we are well placed to capitalise on new opportunities.

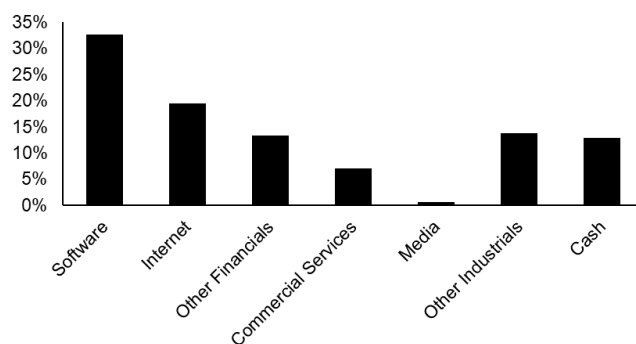
The Smallco Investment Fund remains open to new and existing investors.

#### SIF Performance

Return to 30 September 2023	
3 months	2.4%
1 year	19.2%
3 year p.a.	5.8%
5 year p.a.	6.1%
10 year p.a.	11.0%
20 year p.a.	13.7%
Since inception (31.10.00) p.a.	12.9%
Value of \$100,000 invested at inception	\$1,596,807

Fund returns calculated after all fees and expenses and based upon exit price and reinvestment of distributions.

#### SIF Structure: by sector (look through)



#### Significant Holdings (alphabetical order)

- Altium
- Audinate Group
- REA Group
- WiseTech Global
- Xero

# Smallco

## Smallco Investment Fund

Quarterly Update | 30 September 2023

### SIF Fund Description

SIF is a concentrated, index unaware Australian smaller company focussed fund. It is predominantly long only but can short when suitable opportunities are found. SIF does not invest in mining stocks and is extremely cautious with respect to loss making companies including biotechs.

Smallco's philosophy is that it is better to have a small number of good investments rather than a large number of mediocre investments. Accordingly, SIF is relatively concentrated, generally invested in between 25 and 35 securities. It will hold cash when opportunities are scarce.

SIF is managed with a "Growth at a Reasonable Price" bias employing a bottom up approach with a strong focus on earnings direction and risks. We are strong believers that earnings are the key driver of share prices and that more accurate forecasting of earnings will drive greater and more consistent outperformance.

Smallco believes that higher returns are available from smaller companies as these companies are generally not as well followed by the market. Smallco actively looks for high quality smaller companies whose current share price is significantly less than what it considers to be the true long term underlying value of the shares.

Particular focus is placed upon identifying new opportunities in companies with a market capitalisation of sub \$500m. SIF has the flexibility to continue to hold these companies in the portfolio if they grow successfully and move into the ASX100.

Some characteristics of high quality, smaller companies that Smallco seeks to identify include: strong competitive position, good management, attractive and predictable earnings outlook, high returns on funds employed and strong cash generation.

Stock weightings within SIF are determined by the assessment of the quality of the stock, the likely investment outcome, liquidity and the risk of sustained capital loss.

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### Key Investor Information

Strategy	SIF is a concentrated, Australian equity smaller company focused fund that invests predominantly long only but can effectively short when opportunities are found.
Process	Smallco manages SIF employing a bottom up fundamental research approach focusing upon earnings direction, risks and the underlying businesses quality.
FUM	\$415.3m AUD
Mid Price	\$5.1444 (30 Sep 2023)
Distribution	Annually 30 June
Inception Date	31 October 2000
Portfolio Managers	Adam Simpson, Rob Hopkins, Bill Ryan, Andrew Hokin, Paul Graham, Han Xu and Craig Miller
APIR Code	ASC0001AU
Minimum Initial	\$40,000
Buy/sell costs	+/- 0.45%
Management Fee	1.40% of net assets *
Admin cost (FY23)	0.14% of net assets *
Performance Fee	18.64% of the performance above the Fund's previous end-of-six-month period high. Payable 6 monthly. *
Service providers	Custody: Link Fund Solutions & Perpetual Corporate Trust Limited Administration: Link Fund Solutions
Liquidity	Time to exit 50% of SIF assets: < 1 day

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*This document does not take into account the investment objectives, financial situation and particular needs of each reader. Accordingly, nothing in this document should be construed as a recommendation by Smallco, or any associate of Smallco or any other person, concerning an investment in the fund.*

*You should consider the Product Disclosure Statement and Target Market Determination available at <https://www.smallco.com.au/How-To-Invest> prior to making any investment decisions.*

\* Unless otherwise stated, all fees quoted are inclusive of GST, after allowing for an estimate for Reduced Input Tax Credits (RITC). Past performance is not a reliable guide as to future performance. Returns are not guaranteed.