

Smallco

Smallco Investment Fund

Quarterly Update | 31 March 2025

Portfolio Commentary

Smallco Investment Fund (SIF) was down -10.1% for the March quarter versus the Small Ordinaries index down -2.0%. SIF had a solid start to the calendar year and the February reporting season, where there were more positive than negative surprises from the Fund's major holdings.

There was a rapid turnaround in market sentiment and the Fund's performance in late February and into March, with growing concerns of the effect of US tariffs and spending cuts on the inflation and growth outlook. This uncertainty led to an increase in market volatility and drove a market rotation towards defensive and resource stocks not typically owned by SIF and pressured the multiples of higher valued growth companies. We remain cautious on the near-term outlook given the unpredictable macro backdrop coming out of the US. SIF retains a healthy cash balance and is using this market rotation to cautiously add to existing positions and revisit new opportunities.

Wisetech (WTC) down -33% was the largest detractor in the quarter. WTC downgraded FY25 revenue growth guidance ahead of its February result to the bottom of the range due to the delayed release of three key new products. At the same time WTC announced the resignation of its four independent directors due to intractable differences regarding the ongoing role of founder Richard White. These governance issues surrounding WTC and Mr White remain a near-term driver of the stock. We viewed the announcement on 31 March appointing two new independent directors with a further two more to be added, positively. We also welcomed plans to address succession with a gradual transition to a new CEO supported by Mr White. SIF has been invested in WTC since its IPO. It has been a very strong performer and a key contributor to SIF's returns over that period. We believe WTC is a relatively unique global growth opportunity, and SIF retains a significant position, despite reducing our holding at higher levels. We continue to monitor the output from the ongoing board review closely.

After being the largest positive contributor in the December quarter, Pinnacle Investment Management (PNI), was down -22% this quarter. PNI delivered a strong February result, boosted by substantial performance fees from key affiliates. It has been sold off in recent weeks on concerns over the performance of those same affiliates through this market correction.

Other key detractors included HMC Capital (HMC), down -36%, which was sold off on concerns about the poor performance of its listed funds and its healthcare real estate exposure given the financial distress of Healthscope, its major tenant. Weakness in IDP Education (IEL), down -26%, continued following its 1H25 result, which showed the cyclical downturn in international student numbers was deeper than we initially expected.

Temple and Webster (TPW), up 26% was the largest positive contributor in the quarter following a strong February result, which surprised with both stronger revenue growth and margins. Smaller positions, Generation Development Group (GDG), up 41% following strong underlying performance and an accretive acquisition, and Imdex (IMD), up 28% on expectations of a cyclical recovery in its end markets, both performed strongly.

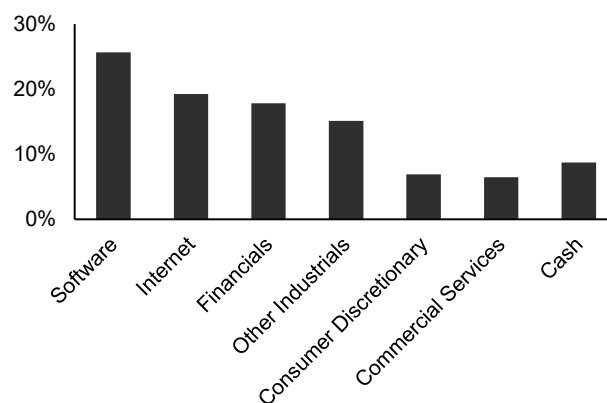
The Smallco Investment Fund remains open to new and existing investors.

Performance

Return to 31 March 2025	
3 months	-10.1%
1 year	-5.0%
3 year p.a.	7.4%
5 year p.a.	15.8%
10 year p.a.	10.6%
20 year p.a.	11.6%
Since inception (31.10.00) p.a.	12.8%
Value of \$100,000 invested at inception	\$1,880,899

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

Structure: by sector (look through)



Significant Holdings (alphabetical order)

Pinnacle Investment Management
REA Group
Seek
WiseTech Global
Xero

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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 than a large number of mediocre investments. Accordingly, SIF is relatively concentrated, generally invested in between 20 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 on 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	\$492.0m AUD
Mid Price	\$5.6849 (31 Mar 2025)
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 (FY24)	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: MUFG Corporate Markets (formerly Link Fund Solutions) & Perpetual Corporate Trust Limited Administration: MUFG Corporate Markets (formerly Link Fund Solutions)

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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.

Smallco
Investment Manager