



5 January 2011

PO Box R718  
Royal Exchange  
NSW 1225

Dear Investor,

**Smallco Investment Fund  
Six-monthly newsletter to 31/12/10**

Smallco Investment Fund returned 12.5% in the six months ended 31 December 2010. This was 6.2% behind the Small Industrials Index for the six months but, due to the Fund's strong first half performance, means the Fund was 8.4% ahead of that index for the full year. The closing unit price was \$1.7851.

During this period the Fund celebrated its 10 year anniversary. The Fund's annual return since inception has been 10.2%, more than double the Small Industrials Index's 4.8% return. It has been a mixed 10 year period which included a strong market rally in the middle of the decade followed by the Global Financial Crisis, which was one of the worst stock market corrections in over 75 years.

The last 18 months have been a period of repair and consolidation creating a solid foundation for many of the companies we follow.

One of the significant contributors to the performance of the Fund over the six month period was the global analytical testing business Campbell Brothers (CPB). CPB is experiencing a strong rebound in earnings with financial year 2011 profit expected to be up at least 70% as minerals testing volumes rebound and the benefits of recent acquisitions start to come through. While trading at a premium to the market, CPB is a well-managed quality business that has a proven track record of successful expansion.

We believe considerable opportunities remain for CPB to continue its impressive growth profile, including expanding both geographically (CPB currently has 1% of global market share) and in terms of its service offering. Having said that, it is likely we will reduce our holding over the coming year, due to its increased weighting in the portfolio and very significant exposure to the unpredictable resources sector.

The Fund remains open to new investors. Historically we have strictly managed capacity to ensure that the size of funds-under-management does not hinder performance. We will continue to monitor this and will re-close the Fund at a size that ensures it remains nimble.

On behalf of the Smallco team, I would like to take this opportunity to thank you for your support of the Fund. We will continue to work diligently over the coming period to achieve a satisfactory return and I look forward to giving you an update in six months.



Please remember that along with providing regular six-monthly newsletters we are available during business hours to discuss any relevant issues or provide ongoing updates. Please feel free to contact Craig Miller, one of our investment managers, on 02 8256 1000.

Yours sincerely

A handwritten signature in black ink that reads "Rob Hopkins".

**Rob Hopkins**  
Smallco Investment Manager