



# Smallco Broadcap Fund

## Quarterly Update 30 June 2023

### SBF Portfolio Commentary

The Smallco Broadcap Fund (SBF) performed moderately ahead of its benchmark for the June quarter. For the 2023 financial year SBF delivered strong outperformance of its benchmark, driven by strong gains in its key software exposures: Wisetech (WTC), Altium (ALU), Xero (XRO) and Audinate (AD8), as well as strong performances from Webjet (WEB) and several other key positions.

Market activity in Q2 was unusual with global equities, and in particular US stocks, starting to price in recovery while bonds still point to recession. While inflation in many regions has come nicely off its peak, central banks remain cautious regarding the stickiness of inflation and continue to tighten, albeit more slowly. This is particularly the case in Australia where less progress on inflation combined with rising wage claims has driven further rate rises by the RBA – just at the time that companies have reported discretionary consumer spending in Australia has started to crack under the pressure of cost of living and interest rate increases.

With economists forecasting further rate rises by the RBA and the peak of the fixed rate mortgage rollovers happening now, quality companies with structural growth drivers that are less linked to the economic cycle are likely to deliver much better earnings resilience in this environment. One such company is Audinate (AD8), the leading provider of professional digital audio network technologies globally.

Audinate is a quality growth stock that has been held by the Fund since its Initial Public Offering in 2017. Its software and hardware products sold under the Dante brand allow the distribution of audio and, more recently, video signals over Internet Protocol networks. They replace older analogue technologies, significantly reducing cabling requirements and improving interoperability.

Dante products are sold to Original Equipment Manufacturers (OEMs) such as Yamaha and Bose who embed them in their products for the professional Audio Visual Industry. Dante is the clear market leader in audio networking with more than 500 OEM customers that have launched over 3,600 Dante enabled products, more than 12 times that of its nearest competitor. Customers are able to link products from different OEMs through the Dante ecosystem creating a valuable network effect which is entrenching Dante as the de facto industry standard in audio.

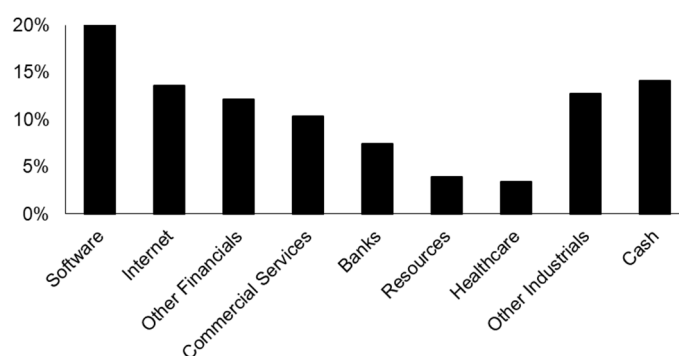
Since listing Audinate has delivered constant currency revenue growth of ~25% pa, a growth profile which has driven the stock to a strong valuation nearly 8 times its IPO price. Notwithstanding this, the Fund continues to hold a solid position given an expectation that Audinate should be able to deliver 20%+ revenue growth for a number of years given it's still relatively low market share in audio and the opportunity provided by its more recent entry into the similarly sized video market.

### SBF Performance

Return to 30 June 2023			
	SBF	Index*	Out Perf.
3 months	2.2%	1.0%	1.2%
1 year	20.6%	14.4%	6.2%
3 year p.a.	14.9%	11.1%	3.8%
5 year p.a.	8.1%	7.1%	1.0%
10 year p.a.	12.7%	8.5%	4.2%
Since inception (31.07.08) p.a.	15.5%	6.9%	8.6%
Value of \$100,000 invested at inception	\$851,676	\$272,194	\$579,482

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

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



### SBF Structure – by size

As at 30 June 2023	SBF	Index*
% in Market Cap < \$1bn	17.7%	2.3%
% in Market Cap \$1bn - \$5bn	26.2%	12.2%
% in Market Cap \$5bn - \$10bn	9.9%	11.0%
% in Market Cap > \$10bn	32.1%	74.5%
% Cash	14.1%	Nil

### SBF Significant Holdings (alphabetical order)

Altium  
REA Group  
Seek  
Webjet  
WiseTech Global

\* Benchmark index is the S&P/ASX 300 Accumulation Index



# Smallco Broadcap Fund

## Quarterly Update 30 June 2023

### SBF Fund Description

SBF is a concentrated, long only, largely index unaware Australian equities fund providing a broad exposure to the Australian listed market.

SBF typically holds 20-30 stocks and aims to outperform the S&P/ASX 300 Accumulation Index after fees on a rolling three year basis.

SBF can invest up to 40% of the Fund in companies with a market capitalisation of less than \$1bn and will deviate significantly from the index when appropriate opportunities are found. \*\*

The theoretical investable universe is anything which meets Smallco's liquidity requirements. In practice SBF very rarely invests in mining stocks other than the major miners, is very averse to loss making companies, and takes an extremely cautious approach to biotechs and structurally impaired industries.

SBF's portfolio is constructed around a large core of high quality longer term growth stocks. A range of smaller shorter term value ideas are wrapped around this when Smallco can identify such stocks that meet our requirements for earnings outlook and risk/reward.

SBF can hold up to 50% in cash. Elevated cash positions are held when opportunities are not present in the market.

Smallco's dominant investment tool is fundamental analysis. Focus is placed upon internal financial modelling supplemented by some broker research. We are strong believers that earnings are the key driver of share prices and as such the greater the accuracy in forecasting earnings the more consistent the outperformance.

### Contact Details

**Phone:**

(02) 8256 1000 or 1300 888 583

**Fax:**

(02) 8256 1010

**Mailing Address:**

Smallco Investment Manager Limited

GPO Box 4564

SYDNEY NSW 2001

**Email:**

[smallco@smallco.com.au](mailto:smallco@smallco.com.au)

**Web Address:**

[www.smallco.com.au](http://www.smallco.com.au)

### Key Investor Information

Strategy	SBF is a concentrated, long only, largely index unaware Australian equities fund providing a broad exposure to the Australian listed market.
Process	Smallco manages SBF employing a bottom up fundamental research approach focused upon earnings direction, risks and the underlying business's quality.
FUM (cum dist)	\$245.2m AUD
Mid Price (cum dist)	\$2.0390 (30 Jun 2023)
Distribution	\$0.1254 (30 Jun 2023)
Inception Date	31 July 2008
Portfolio Managers	Andrew Hokin, Rob Hopkins, Bill Ryan, Paul Graham, Adam Simpson, Han Xu and Craig Miller
APIR Code	ASC0003AU
Buy/sell costs	+/- 0.45%
Management Fee	1.20% of net assets ***
Performance Fee	15.0% of outperformance of the Standard & Poor's ASX 300 Accumulation Index. Payable quarterly in arrears. ***
Application & Withdrawal Timing	Units are priced daily on every business day in Sydney.
Service providers	Custody: Link Fund Solutions Administration: Link Fund Solutions

Australian Financial Services Licence # 224 108

ARSN 163 030 626

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.

\*\* From time to time the market capitalisation of stocks within the portfolio may fall below \$1bn and as a result the Fund's 40% limit may be exceeded. Rather than immediately selling positions to reduce the exposure below 40% (which could adversely affect stock prices), SBF may remain above 40% for a period of up to 6 months whilst orderly selling down. Smallco will not add to any sub \$1bn holdings during such a period.

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