



Smallco Investment Fund

Quarterly Update 31 March 2023

SIF Portfolio Commentary

Smallco Investment Fund (SIF) was up 9.7% for the March quarter versus the Small Ordinaries Index up 1.9%. On a rolling twelve month basis the Fund is down 1.6% versus the Small Ordinaries down 13.2%.

SIF performed strongly in the March quarter driven by solid results from the Fund's major holdings through the February reporting season and an easing of the macro headwinds that impacted CY22.

Wisetech (WTC) was the standout positive contributor, up nearly 30%. It delivered a strong 1H23 result, modestly ahead of consensus. The key highlight in the result was the signing of Kuehne+Nagel (K+N), the largest global freight forwarder, for a global customs clearance software rollout.

The K+N contract was perceived as validation of WTC's CargoWise solution in the customs software vertical. WTC currently has a dominant market position in the global freight forwarding software vertical. We expect there is now a significant opportunity for WTC to cross sell the customs software to its other global freight forwarding customers. Earlier in the quarter WTC also announced two sizeable acquisitions that marked a significant expansion into the large and highly fragmented landside logistics software market.

Pinnacle Investment Management Group (PNI) down 10% was the Fund's largest detractor. Pinnacle is a multi-affiliate investment management firm that invests in and provides third party distribution and fund infrastructure and support services for boutique funds management businesses. Its 1H23 result was below expectations impacted by softer equity markets, lower than expected first half originations in its Metrics Credit affiliate and an increase in investment in medium term growth initiatives resulting in lower than expected affiliate margins.

While PNI remains leveraged to equity market conditions and FY23 is shaping as a tougher year, we continue to believe in its longer term growth potential with capacity for further FUM growth from existing affiliates and its ability to attract new affiliates both domestically and offshore.

Bond rates that provided headwinds to equity markets through CY22 eased in 1Q23 as markets gained confidence that inflationary pressures had peaked. More recently, the turmoil from the collapse of several US and European banks has resulted in a tightening of credit conditions which has lowered the markets expectations of the interest rate peak. Tighter credit conditions will however negatively impact the growth outlook and the key focus now is on corporate earnings in the face of an economic slowdown.

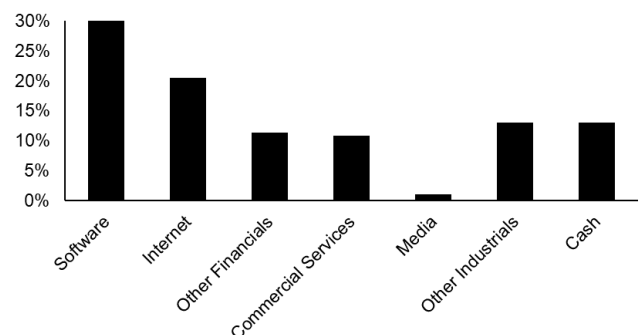
We continue to caution that recessionary downside scenarios are not currently factored into market forecasts and valuations. In this environment we have a heightened focus on quality companies that have an ability to grow structurally through periods of economic slowdown and deliver on growth forecasts.

SIF Performance

Return to 31 March 2023	
3 months	9.7%
1 year	-1.6%
3 year p.a.	18.3%
5 year p.a.	7.5%
10 year p.a.	12.6%
20 year p.a.	15.0%
Since inception (31.10.00) p.a.	12.8%
Value of \$100,000 invested at inception	\$1,494,215

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

SIF Structure: by sector (look through)



SIF Significant Holdings (alphabetical order)

Altium
Audinate Group
REA Group
Seek
WiseTech Global

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

Please contact Craig Miller, one of our portfolio managers, for assistance with investing or for any queries or needs that you may have on 02 8256 1000.



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SIF Fund Description

SIF is a concentrated, index unaware Australian equity fund investing predominantly in smaller listed companies. SIF may invest in cash when opportunities are scarce and invest up to 20% of the fund, at the time of purchase, in Australian companies within the ASX100.

Smallco believes that higher returns are available from smaller companies as these companies are generally not as well followed by the market which in turn makes mispricing more common. Particular focus is placed upon companies with a market capitalisation of between \$100m to \$500m - the Smallco "sweet spot".

SIF typically holds 25 to 35 stocks on the premise that it is better to have a holding of core stocks that offer solid investment fundamentals than a large number of "OK" investments.

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.

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

SIF very rarely invests in mining stocks, is very averse to loss making companies, and takes an extremely cautious approach to biotechs and structurally impaired industries.

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Key Investor Information

Strategy	SIF is a concentrated, Australian equity smaller company focused fund that invests predominantly long 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	\$397.8m AUD
Mid Price	\$4.9818 (31 Mar 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 (FY22)	0.13% 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 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.