



Smallco Broadcap Fund

Quarterly Update 31 March 2015

SBF Portfolio Commentary

The Smallco Broadcap Fund (SBF) performed in line with its benchmark during the March quarter.

Many of the Fund's investments performed very strongly during the quarter - for example, GBST, Speedcast, Henderson, Altium, Isentia and Macquarie Group all rose more than 30%. These were, however, partially offset by the Fund's high cash position, which represented a significant drag given the strength of the overall market, and the disappointing result from Sirtex's SIRFLOX trial.

The Australian equity market delivered its strongest March quarter performance since exiting the last recession 24 years ago. Given corporate earnings were essentially flat this performance reflects a further rerating of the market.

In our view, this re-rating was principally driven by a rush of Central Bank actions (including in Australia) to ease monetary policy post the ECB's announcement of a larger than expected quantitative easing program. While low growth is used to justify these moves, increasingly these actions appear as much about influencing exchange rates. However with so many central banks outside of the US easing policy, the primary effect of these actions has been to raise asset prices in these markets.

This has exacerbated the recent trend whereby the equity market has become richly priced under more traditional earnings based valuation measures, however still appears reasonable value if compared to the exceptionally low yields on offer in fixed income markets.

While this situation may extend further given potential for further rate cuts by the RBA, as bottom up investors we remain focused on seeking out structural growth businesses where we believe the earnings outlook has not been fully factored in. Some opportunities remain such as the Outdoor Media companies, Speedcast and, on a longer term view, Isentia. However the Fund's cash position increased during the quarter as the value on offer in the market deteriorated overall.

SBF Top 5 Holdings

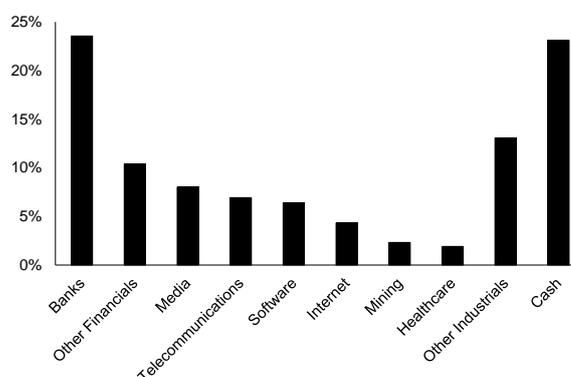
Westpac
National Australia Bank
Commonwealth Bank
Isentia Group
oOh!media

SBF Performance

Return to 31 March 2015			
	SBF	Index*	Out Perf.
3 months	10.4%	10.3%	0.1%
1 year	18.8%	13.9%	4.9%
3 year p.a.	31.8%	15.3%	16.5%
5 year p.a.	23.5%	8.3%	15.2%
Since inception (31.07.08) p.a.	23.0%	7.2%	15.8%
Value of \$100,000 invested at inception	\$395,653	\$158,697	\$236,956

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 31 March 2015	SBF	Index*
% in S&P/ASX 20	31.6%	65.3%
% in S&P/ASX 50 less 20	6.2%	16.6%
% in S&P/ASX Mid 50	6.2%	10.4%
% outside S&P/ASX 100	32.9%	7.7%
% Cash	23.1%	Nil

* Benchmark index is the S&P/ASX 300 accumulation index



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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 targets returns of 5% p.a. above the ASX 300 accumulation index after fees on a rolling 3 year basis.

SBF can invest up to 40% of assets outside of the ASX 100 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.

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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 businesses quality.
FUM	\$107.8m AUD
Mid Price	\$1.9466 (31 Mar 2015)
Distribution	Annually: 30 June
Inception Date	31 July 2008
Portfolio Managers	Andrew Hokin, Rob Hopkins, Bill Ryan, Paul Graham and Craig Miller
APIR Code	ASC0003AU
Minimum Initial	\$40,000
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: JP Morgan Administration: White Outsourcing

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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.

** Unless otherwise stated, all fees are quoted 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.