

Smallco Smallco Broadcap Fund

Quarterly Update | 30 June 2025

Portfolio Commentary

The Smallco Broadcap Fund (SBF) rebounded strongly in the June quarter, on the back of a reasonably solid May/June mini-reporting season and a broad-based rebound in markets as US tariff fears eased. The modest shortfall in the Fund's quarterly performance versus benchmark was reasonable given its lack of exposure to CBA, which added ~1.5% to the benchmark return. CBA's strength reflects a mix of a well performing bank (but still low growth and very expensive), significant passive flows, underweight institutional ownership, and a tightly held share register. These factors have reduced its relative liquidity to less than half the market average and contributed to a "squeeze". It demonstrates the distortions that can happen when index weights are not adjusted for differences in relative liquidity.

For the 2025 Financial year, the Fund delivered positive performance but was disappointing relative to benchmark. While the lack of exposure to CBA again played a part (CBA contributed ~3.5% of the benchmark return in FY25) and the Fund's growth style was a solid headwind in the June half, the reality is the Fund still had many significant positive contributors for the year, including Temple & Webster (+127%), Generation Development Group (+115%) and Superloop (+88%).

What was unusual this year was a higher than average drag from loss making positions, with IDP Education (IEL, -75%) and Audinate (AD8, -53%) being the most significant. The Fund has held both these stocks for many years due to their strong market positions and structural growth. While aware both were facing industry related headwinds, which led to the Fund selling ~one-third of its Audinate position at much higher levels, the scale of the headwinds proved significantly greater than expected. Both these positions are still held but have moved from mid-sized to small positions. Given strong market positions both are expected to recover but are likely to be multi-year processes.

During the June quarter two of the Fund's largest positions, Wisetech (WTC) & Xero (XRO), announced significant US based acquisitions. WTC acquired E2Open in the US for \$US2.1bn which is highly complementary as it will enable WTC to create a global multi-sided trade and logistics marketplace connecting all major parts of the global trade and logistics chain. Meanwhile XRO announced the acquisition of Melio, a US based small-medium business (SMB) bill pay platform, for up to \$US3.0bn. Melio provides XRO access to a fast growing SMB payment solution, allows XRO to internalise its own customer bill payment solution and potentially enables XRO to leverage Melio's Fiserv relationship to distribute an embedded accounting software/payments solution through Fiserv's ~3,500 banking clients.

While such large acquisitions always involve a higher level of execution risk, we view both acquisitions as very complimentary and positive to the longer term growth rate of each business.

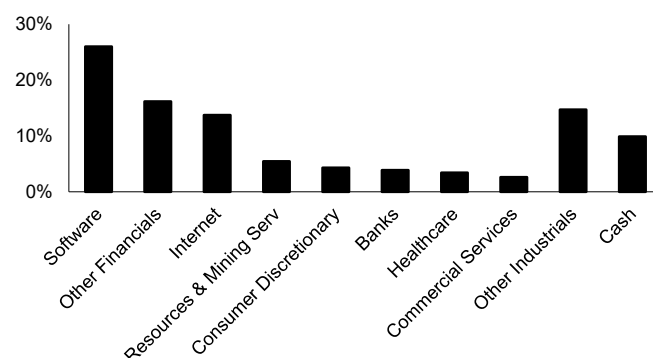
Notwithstanding some challenges during FY25, the Fund's focus on high-quality, structural growth businesses has delivered solid outperformance over many years. We remain confident that the Fund's portfolio, and the larger stocks in particular, exhibit the right characteristics to deliver solid medium-longer term performance.

Performance

Return to 30 June 2025			
	SBF	Index*	Out Perf.
3 months	8.8%	9.5%	-0.7%
1 year	4.9%	13.7%	-8.8%
3 year p.a.	16.2%	13.3%	2.9%
5 year p.a.	14.6%	11.8%	2.8%
10 year p.a.	11.2%	8.8%	2.4%
Since inception (31.07.08) p.a.	15.3%	7.6%	7.7%
Value of \$100,000 invested at inception	\$1,108,987	\$346,495	\$762,492

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

Structure: by sector (look through)



Structure – by size

As at 30 June 2025	SBF	Index*
% in Market Cap < \$1bn	9.8%	1.3%
% in Market Cap \$1bn - \$5bn	35.9%	11.8%
% in Market Cap \$5bn - \$10bn	13.3%	9.9%
% in Market Cap > \$10bn	31.1%	77.0%
% Cash	9.9%	Nil

Significant Holdings (alphabetical order)

Life360
Pinnacle Investment Management
Seek
WiseTech Global
Xero

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

Smallco

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Fund Description

SBF is a concentrated, long only, largely index unaware Australian equities fund that provides exposure to a broad range of companies listed on the ASX, from some of the smallest through to some of the largest.

The Fund has a significant bias to small and mid-capitalisation companies and can invest up to 40% of FUM into companies with a market capitalisation of less than \$1bn.** Accordingly, the Fund will always be heavily underweight in the very largest companies on the ASX.

SBF typically holds 20-35 stocks and aims to outperform the S&P/ASX 300 Accumulation Index after fees on a rolling five year basis.

SBF's portfolio is constructed around a large core of high quality, longer term growth stocks. A small component of shorter term value ideas can be included when Smallco can identify such stocks that meet our requirements for earnings outlook and risk/reward.

Given a primary focus on quality growth stocks with forecastable earnings, 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 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 business's quality.
FUM (cum dist)	\$365.6m AUD
Mid Price (cum dist)	\$2.3478 (30 Jun 2025)
Distribution	\$0.3394 (30 Jun 2025)
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: 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.

** 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.