

Smallco Broadcap Fund

QUARTERLY UPDATE – 31 December 2011

Portfolio Commentary

SBF delivered solid outperformance of its benchmark over the December quarter and year, and has delivered strong absolute and relative performance since inception.

During the quarter aggressive moves by new Governments in Italy and Spain to address their budgetary and debt problems increased our confidence that the most likely scenario in Europe would be a continued muddle through, rather than a near term Eurozone breakup. This combined with modest valuations led to a halving in the cash weighting held by SBF. Albeit, with still ~10% cash and a significant underweight to the resources sector, we retain a degree of caution given the slower global growth outlook and continuing negative earnings revisions.

Major stock moves during the quarter included:

- Trimming exposure to the banks during the October rally and replacing NAB with ANZ as the preferred bank.
- Despite little relative value in small caps at the headline level SBF's exposure has increased, driven by increased weightings to favoured long term growth opportunities (Magellan Financial & McMillan Shakespeare) and also to Macquarie Atlas Roads (overly discounted given expected successful debt refinance in the March quarter).
- SBF's exposure to the troubled Media & Retail sectors, while up a little, has performed reasonably to date. Media exposure is predominantly to News Corp (US exposure & content repricing) while Retail exposure is solely to Wesfarmers & Orotan.

Top 5 Holdings

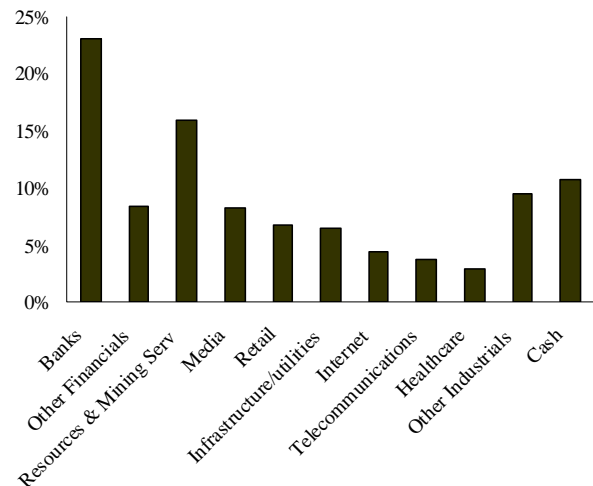
Australian & NZ Banking Group
Westpac Banking Group
Magellan Financial Group
Macquarie Atlas Roads Group
News Corporation

SBF Performance

Return to 31 December 2011			
	SBF	Index*	Out Perf
3 months	3.0%	2.1%	0.9%
1 year	-6.9%	-11.0%	4.1%
2 year p.a.	5.2%	-4.8%	10.0%
3 year p.a.	24.7%	7.7%	17.0%
Since inception (31.07.08) p.a.	11.8%	-1.4%	13.2%
Value of \$100,000 invested at inception	\$146,539	\$95,339	\$51,200

Fund returns calculated after all fees and expenses and based on exit price and reinvestment of distributions. Investors with at least \$500,000 invested are entitled to receive partial fee rebates.

Portfolio Structure – by sector (look through)



Portfolio Structure – by size

As at 31 December 2011	SBF	Index*
% in S&P/ASX 20	35.2%	60.5%
% in S&P/ASX 50 less 20	7.7%	17.9%
% in S&P/ASX Mid 50	9.3%	9.8%
% outside S&P/ASX 100	37.1%	11.8%
% Cash	10.7%	Nil

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.

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

** 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. Partial rebates of the base fee are available to investors with at least \$500,000 invested.



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Key Investor Information

Investment vehicle	Unit trust
Recommended Time Frame	Long term – recommended 5 years
Date Established	31 July 2008
Fund Style	A true broadcap fund - can invest up to 40% outside the ASX100
Target Returns	5% p.a. above the S&P ASX300 Accumulation Index after fees on a rolling 3 year basis
Target Segment	Wholesale investors seeking a high performance index unaware fund to add to traditional more index aware investments
Estimated Maximum Fund Size	\$300m to \$500m – to preserve ability to invest outside the ASX 100
Minimum Initial Investment	\$40,000
Minimum Additional Investment	\$5,000
Minimum Withdrawal	\$5,000
Buy/sell spread	0.45%
Application & Withdrawal Timing	Units are priced monthly. Additionally, units will be priced intra-month when necessary to facilitate applications and redemptions
Investment Costs	1.20% of net assets **
Investment Performance Fee	15.0% of the outperformance of the Standard & Poor's ASX 300 Accumulation Index. Payable three monthly in arrears. The hurdle resets after 3 years of no performance fees. **
Distribution	Annually after 30 June
Distribution Reinvestment	Available

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