

Smallco Broadcap Fund

QUARTERLY UPDATE – 31 March 2012

Portfolio Commentary

In improved market conditions SBF performed very strongly in the March quarter. This performance was particularly pleasing given it followed solid outperformance during the weaker market conditions experienced during 2011.

Key drivers for SBF in the quarter included strong gains across many core positions, an increased weighting to the Mining Services sector in early January and a successful reporting season.

Despite the improved market tone SBF ended the quarter with a moderately elevated cash position that was little changed on the December level. This reflected a combination of trimming some of the Mining Services positions during March after strong gains, reduced exposure to the banks and Telstra as both hit our near term price targets and a slightly cautious short term market outlook.

After a strong start to the year value is now considerably more difficult to identify. While an overall market PE in the 12s looks attractive versus historical averages, this is biased downwards by the banks (which we believe will struggle to re-rate substantially further until the outlook for credit growth improves) and the major miners (more difficult to predict short term but face increasing longer term uncertainties).

The remainder of the market (industrials ex-banks) is now trading ~14.5x, much closer to its longer term average despite being on track to post a 5th consecutive year of flat or negative EPS growth.

In this environment SBF will remain biased towards reasonably priced stocks for which we have a higher degree of confidence in the near term earnings outlook.

Top 5 Holdings

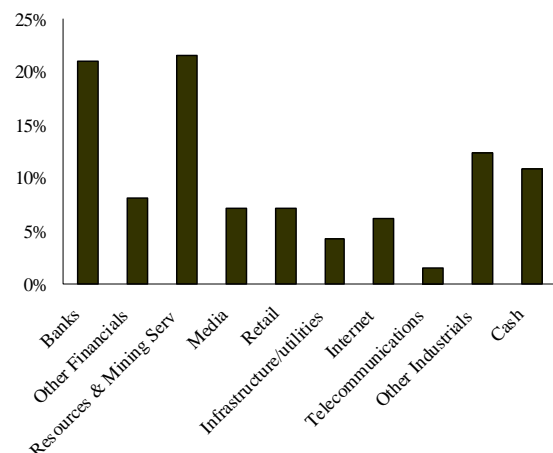
Australian & NZ Banking Group
National Australia Bank
Seek Limited
Magellan Financial Group
McMillan Shakespeare

SBF Performance

Return to 31 March 2012			
	SBF	Index*	Out Perf
3 months	18.8%	8.6%	10.2%
1 year	5.9%	-6.3%	12.2%
2 year p.a.	12.2%	-1.4%	13.6%
3 year p.a.	31.9%	11.4%	20.5%
Since inception (31.07.08) p.a.	16.3%	0.9%	15.4%
Value of \$100,000 invested at inception	\$173,781	\$103,516	\$70,265

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 March 2012	SBF	Index*
% in S&P/ASX 20	30.1%	59.6%
% in S&P/ASX 50 less 20	9.1%	18.2%
% in S&P/ASX Mid 50	11.4%	10.1%
% outside S&P/ASX 100	38.6%	12.1%
% Cash	10.8%	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

Contacting Smallco

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