

Smallco Broadcap Fund

QUARTERLY UPDATE – 30 June 2012

Portfolio Commentary

In more challenging market conditions SBF continued to perform strongly relative to its benchmark during the June quarter. Over the financial year to June SBF delivered a solid +9.2% return, which was pleasing relative to the 7.0% loss by the broader equities market.

Consistent with the more cautious approach outlined in our March update, the major focus early in the quarter was on increasing the overall quality of the SBF portfolio. This was a key driver of SBF's resilience during the quarter and principally involved:

- Continuing the sell down of SBF's mining services exposures, which resulted in SBF locking in the vast majority of the gains made from this sector during the March quarter.
- Establishing new positions in a number of favoured growth stocks including Navitas, Resmed and, late in the quarter, REA.

In recent days markets have reacted favourably to announcements made at last weeks' European summit and to expected actions by Central Banks.

These events have the potential to drive further short term gains in the more cyclical parts of the market. However, we remain cognisant that economic growth across most major economies continues to slow, leaving earnings forecasts for cyclicals in particular at risk of further downward revision.

Accordingly, while SBF's cash position has been trimmed a little at the start of July, its focus remains biased towards reasonably priced stocks for which we have a higher degree of confidence in the near term earnings outlook.

Top 5 Holdings

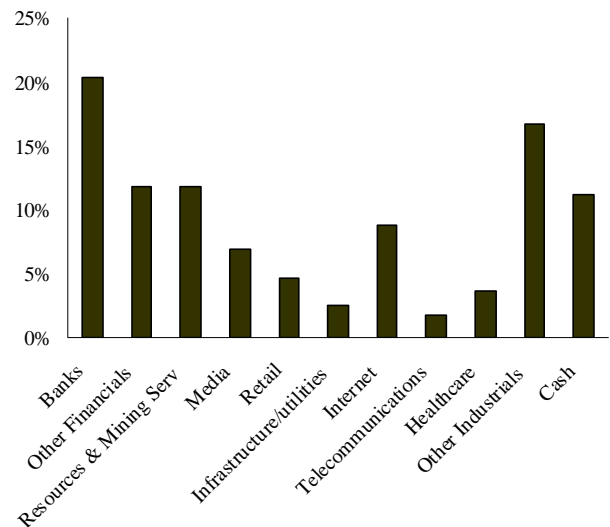
Westpac
National Australia Bank
News Corporation
Magellan Financial Group
BHP

SBF Performance

| Returns to 30 June 2012 | | | |
|--|-----------|----------|----------|
| | SBF | Index* | Out Perf |
| 3 months | -1.0% | -5.0% | 4.0% |
| 1 year | 9.2% | -7.0% | 16.2% |
| 2 year p.a. | 15.3% | 2.0% | 13.3% |
| 3 year p.a. | 22.9% | 5.6% | 17.3% |
| Since inception (31.07.08) p.a. | 14.9% | -0.4% | 15.3% |
| Value of \$100,000 invested at inception | \$172,076 | \$98,324 | \$73,752 |

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 30 June 2012 | SBF | Index* |
|-------------------------|-------|--------|
| % in S&P/ASX 20 | 28.9% | 60.6% |
| % in S&P/ASX 50 less 20 | 8.1% | 18.8% |
| % in S&P/ASX Mid 50 | 12.8% | 10.1% |
| % outside S&P/ASX 100 | 39.0% | 10.5% |
| % Cash | 11.2% | 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

Smallco Investment Manager Limited (ABN 89 092 626 090)

Craig Miller
PO Box R718, Royal Exchange
Sydney NSW 1225

Ph 02 8256 1000 or 1300 888 583
smallco@smallco.com.au
www.smallco.com.au

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