

Smallco Broadcap Fund

QUARTERLY UPDATE – 30 September 2012

Portfolio Commentary

SBF continued to deliver strong outperformance of its benchmark during the September quarter. This brings SBF's track record of consistent strong outperformance to more than 4 years.

During the quarter we continued to maintain the higher quality focus pursued over the June quarter. While a slightly elevated cash position detracted from performance during the quarter, the quality bias continued to deliver strong overall performance through:

- A very consistent reporting season and thus few stocks dragging on performance;
- Particularly strong returns from a number of major positions, including Resmed, Westpac, Magellan Financial and Breville.

Looking forward, while recent actions by the ECB and the Fed have reduced tail risks, we expect only a very modest improvement in the global economy. Similarly, we are not convinced actions by the RBA will drive a strong rebound in consumer spending. Accordingly, we continue to expect only modest earnings growth for the core industrials in FY13, and potentially another fall in earnings including resources.

Given this outlook we maintain a degree of caution towards many of the traditional "value" segments of the market. Combined with the strong performance of many of the higher quality stocks and full overall market valuations, we are having to be more selective. Modestly higher cash levels and more subdued returns are distinct near term possibilities.

Top 5 Holdings

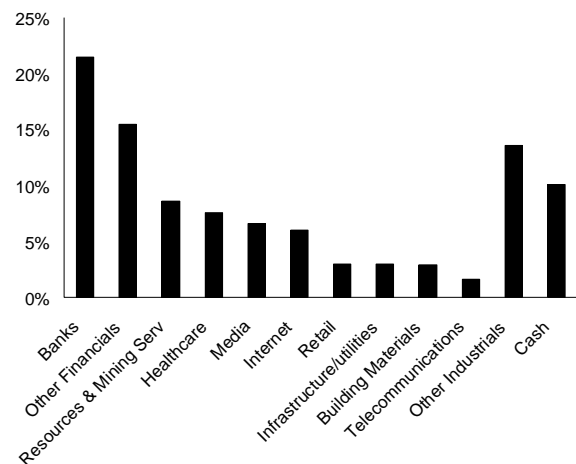
ANZ
Magellan Financial Group
News Corporation
National Australia Bank
McMillan Shakespeare

SBF Performance

Returns to 30 September 2012			
	SBF	Index*	Out Perf
3 months	13.3%	8.7%	4.6%
1 year	37.3%	14.5%	22.8%
2 year p.a.	15.5%	2.2%	13.3%
3 year p.a.	15.5%	1.7%	13.8%
Since inception (31.07.08) p.a.	17.4%	1.6%	15.8%
Value of \$100,000 invested at inception	\$194,125	\$106,925	\$87,200

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 30 September 2012	SBF	Index*
% in S&P/ASX 20	30.2%	61.2%
% in S&P/ASX 50 less 20	8.5%	18.1%
% in S&P/ASX Mid 50	12.5%	10.1%
% outside S&P/ASX 100	38.7%	10.6%
% Cash	10.1%	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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