

Smallco Broadcap Fund

QUARTERLY UPDATE – 31 December 2012

Portfolio Commentary

The Smallco Broadcap Fund (SBF) delivered further strong outperformance during the December quarter, capping off a particularly strong year. Key contributors during the quarter included Magellan Financial Group, Sirtex Medical, Fletcher Building and Rio Tinto.

While SBF benefited during the year from its traditional underweight stance in the resources sector and the market's flight to quality stocks, consistent stock selection drove the majority of outperformance. Stocks representing more than 70% of the portfolio outperformed the benchmark by more than 10% during the year. The performance also reflects the faster than expected development of Magellan Financial Group's business towards our original longer term thesis.

We currently expect a gradual improvement in the global economy as 2013 progresses - assuming US politicians do not push their remaining fiscal deliberations beyond March. US growth in particular should experience a solid improvement in the second half following a relatively weak start.

In our view, the extent to which the Australian market will benefit from a modestly improved global backdrop will be hampered by relatively full valuations (particularly amongst quality companies), a muted consumer response to lower interest rates and the structural challenges posed by the high \$A.

Accordingly, SBF retains solid US exposure (NWS, BRG), has significant exposure to an improvement in global equity markets (MFG + M&A cycle exposure) and only modest exposure to the domestic consumer. The quality bias has been largely retained, albeit while we remain confident in the earnings outlook for these stocks, valuations suggest lower near term returns.

Top 5 Holdings

Magellan Financial Group
Westpac
News Corporation
BHP Billiton
ANZ

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.

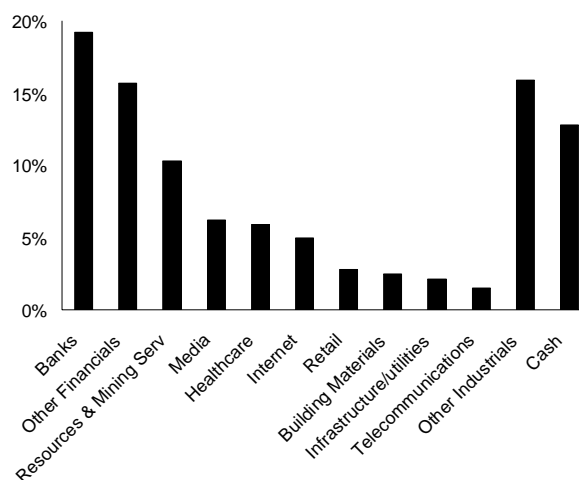
** Unless otherwise stated, all fees quoted are inclusive of GST, after allowing for an estimate for Reduced Input Tax Credits (RITC). Past performance is not a reliable guide as to future performance. Returns are not guaranteed. Partial rebates of the base fee are available to investors with at least \$500,000 invested.

SBF Performance

Returns to 31 December 2012			
	SBF	Index*	Out Perf
3 months	13.4%	6.8%	6.6%
1 year	51.1%	19.7%	31.4%
2 year p.a.	18.6%	3.2%	15.4%
3 year p.a.	18.7%	2.8%	15.9%
Since inception (31.07.08) p.a.	19.7%	3.0%	16.7%
Value of \$100,000 invested at inception	\$220,122	\$114,158	\$105,964

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 rebates of the base fee.

Portfolio Structure – by sector (look through)



Portfolio Structure – by size

As at 31 December 2012	SBF	Index*
% in S&P/ASX 20	33.5%	61.6%
% in S&P/ASX 50 less 20	10.3%	17.9%
% in S&P/ASX Mid 50	5.4%	10.3%
% outside S&P/ASX 100	38.0%	10.2%
% Cash	12.8%	Nil



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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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