

# Smallco Broadcap Fund

## QUARTERLY UPDATE – 31 March 2013

### Portfolio Commentary

The Smallco Broadcap Fund (SBF) delivered further strong outperformance of its benchmark during the March quarter. Key contributors during the quarter included Seek Limited, News Corporation, REA Group, Skilled Group and Magellan Financial Group. A significant reduction in early January to SBF's resource sector exposure also assisted performance during the quarter.

Over the past 9 months equity markets have re-rated significantly, driven by increased confidence in the sustainability of the Euro, improved US economic data and, locally, a stabilisation of earnings forecasts (excluding the resources sector) combined with an increasingly desperate search for yield by investors.

With the core industrials sector now trading ~16.5x FY13 earnings, the requirement for the forecast improvement in earnings to be met has ratcheted up substantially. Pleasingly the core industrials delivered 12% EPS growth in the recent reporting season, however cost control played a significant part in this. Recent signs the RBA's easing cycle is starting to have an impact need to continue and broaden in order for revenues to drive the next leg of the earnings cycle.

Overall, while the earnings cycle for the market ex-resources appears to be turning somewhat, the market and, more recently some of the domestic cyclicals, has anticipated this.

Given this and a view the offshore environment may become temporarily less supportive (potential Sequester driven Q2 slowdown in the US, uncertainty as to whether Europe is stabilising), SBF's focus remains little changed: stocks we are confident will deliver strong multi-year EPS growth at the core, solid US exposure and very selective exposure to domestic cyclicals.

### Top 5 Holdings

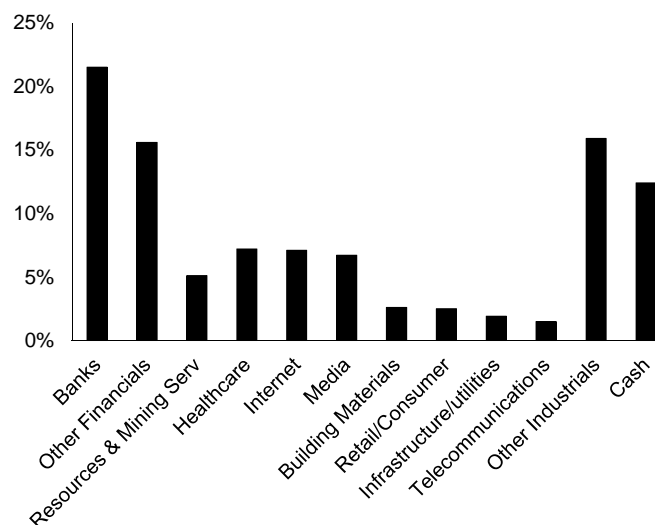
Westpac  
Magellan Financial Group  
National Australia Bank  
News Corporation  
BHP Billiton

### SBF Performance

Returns to 31 March 2013			
	SBF	Index*	Out Perf
3 months	12.1%	8.0%	4.1%
1 year	42.7%	19.2%	23.5%
2 year p.a.	23.0%	5.7%	17.3%
3 year p.a.	21.5%	5.0%	16.5%
Since inception (31.07.08) p.a.	21.5%	4.6%	16.9%
Value of \$100,000 invested at inception	\$246,846	\$123,341	\$123,505

Fund returns calculated after all fees and expenses and based on exit price and reinvestment of distributions.

### Portfolio Structure – by sector (look through)



### Portfolio Structure – by size

As at 31 March 2013	SBF	Index*
% in S&P/ASX 20	31.7%	61.5%
% in S&P/ASX 50 less 20	11.3%	17.7%
% in S&P/ASX Mid 50	10.3%	10.4%
% outside S&P/ASX 100	34.4%	10.3%
% Cash	12.4%	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.



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### Key Investor Information

<b>Investment vehicle</b>	<b>Unit trust</b>
Recommended Time Frame	Long term – recommended 5 years
<b>Date Established</b>	<b>31 July 2008</b>
Fund Style	A true broadcap fund - can invest up to 40% outside the ASX100
<b>Target Returns</b>	<b>5% p.a. above the S&amp;P ASX300 Accumulation Index after fees on a rolling 3 year basis</b>
Target Segment	Wholesale investors seeking a high performance index unaware fund to add to traditional more index aware investments
<b>Estimated Maximum Fund Size</b>	<b>\$300m to \$500m – to preserve ability to invest outside the ASX 100</b>
Minimum Initial Investment	\$40,000
<b>Minimum Additional Investment</b>	<b>\$5,000</b>
Minimum Withdrawal	\$5,000
<b>Buy/sell spread</b>	<b>0.45%</b>
Application & Withdrawal Timing	Units are priced monthly. Additionally, units will be priced intra-month when necessary to facilitate applications and redemptions
<b>Investment Costs</b>	<b>1.20% of net assets **</b>
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. **
<b>Distribution</b>	<b>Annually after 30 June</b>
Distribution Reinvestment	Available

#### Contacting Smallco

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