



Smallco Broadcap Fund

Quarterly Update 30 June 2013

Portfolio Commentary

In more challenging market conditions the Smallco Broadcap Fund (SBF) continued to perform strongly during the June quarter. Key contributors during the quarter included News Corporation (now FOX), Resmed, Magellan Financial Group and Macquarie Atlas Roads.

The June quarter performance capped off a particularly strong financial year, during which SBF delivered a 50.8% return, 28.9% ahead of its benchmark.

While this result has been aided by some particularly strong performances (especially that of Magellan), the principal driver was a high level of consistency in stock selection (during the year positions totalling >80% of the portfolio at time of initial investment beat the benchmark by at least 10%). Uncertainty during recent months over the economic outlook in both Australia and China also benefited SBF given its investment style is more focused towards quality industrial growth companies and it is typically underweight resources.

In recent weeks the market has reacted cautiously to indications from the US Federal Reserve that it may reduce its asset purchases earlier than the market had expected. We are not overly concerned by this given any such move by the Fed is likely to reflect an improving US economic outlook. We are more concerned about the economic outlook locally and also about the potential for the Chinese economic slowdown to be more extended than the market expects.

Given this, SBF remains overweight quality companies that have significant exposure to developed international markets (particularly the US), at the expense of Chinese and local domestic cyclical exposures. SBF's cash weighting has increased a little, principally due to a reduction in domestic cyclical exposures early in the quarter and the difficulty in finding suitable replacements at reasonable prices.

Top 5 Holdings

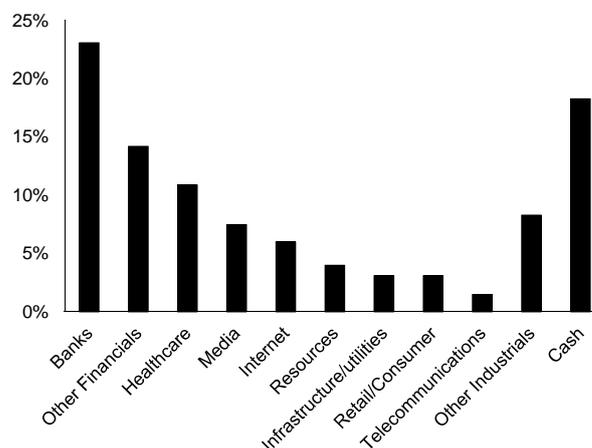
Westpac
 21st Century FOX
 Magellan Financial Group
 ANZ Bank
 Resmed

SBF Performance

Return to 30 June 2013			
	SBF	Index*	Out Perf.
3 months	4.7%	-2.8%	7.5%
1 year	50.8%	21.9%	28.9%
2 year p.a.	28.4%	6.5%	21.9%
3 year p.a.	26.1%	8.2%	17.9%
Since inception (31.07.08) p.a.	21.4%	3.8%	17.6%
Value of \$100,000 invested at inception	\$258,350	\$119,853	\$138,767

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 30 June 2013	SBF	Index*
% in S&P/ASX 20	32.9%	67.4%
% in S&P/ASX 50 less 20	7.5%	16.4%
% in S&P/ASX Mid 50	10.3%	9.3%
% outside S&P/ASX 100	31.0%	6.9%
% Cash	18.3%	Nil

* Benchmark index is the S&P/ASX 300 accumulation index



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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	\$250m 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

Contact Details

Phone: (02) 8256 1000 or 1300 888 583
Fax: (02) 8256 1010

Email: smallco@smallco.com.au
Web address: www.smallco.com.au

Mailing address: Smallco Investment Manager Limited
GPO Box 4564
SYDNEY NSW 2000

Australian Financial Services Lic no 224 108 ARSN 103 148 107 Fund's APIR Code ASC0001AU

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.

** 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.

Smallco
Investment Manager