



# Smallco Broadcap Fund

## Quarterly Update 30 September 2013

### Portfolio Commentary

The Smallco Broadcap Fund (SBF) delivered further strong outperformance of its benchmark during the September quarter. This brings SBF's record of consistent strong outperformance to more than 5 years. Key contributors during the quarter included Seek, REA Group, Macquarie Atlas Roads, Altium and Capitol Health.

The Australian equity market bounced back strongly in the September quarter, posting its strongest quarterly return in 4 years. The August reporting season was quite well received, albeit overall revenue and EPS growth for the market ex-resources were a modest 2% and 5% respectively. Many domestic cyclical stocks performed strongly, driven by increased market expectation that the combination of the Reserve Bank's interest rate cuts and improved political stability would drive a solid improvement in the non-mining economy.

We remain slightly more cautious, expecting a more modest improvement in consumption given the continued slowing in household income growth and lacklustre labour market. Accordingly, SBF has remained selective and continued to benefit from a high hit rate in stock selection despite a moderately elevated cash position.

One significant position added to the portfolio during the quarter was financial markets and wealth management software provider, IRESS Limited. Although IRESS's Financial Markets revenue remains flat (reflecting headcount trends in its customer base), we believe the Avelo acquisition positions IRESS well for continued strong growth in its Wealth Management business.

Avelo's ~50% share of the UK advisor desktop market, and the absence of competitors with integrated product suites across all market segments, provides IRESS with incumbency in the UK and the potential to replicate the dominant position it has built in the Australian Wealth Management market since the 2007 VisiPlan acquisition.

### Top 5 Holdings

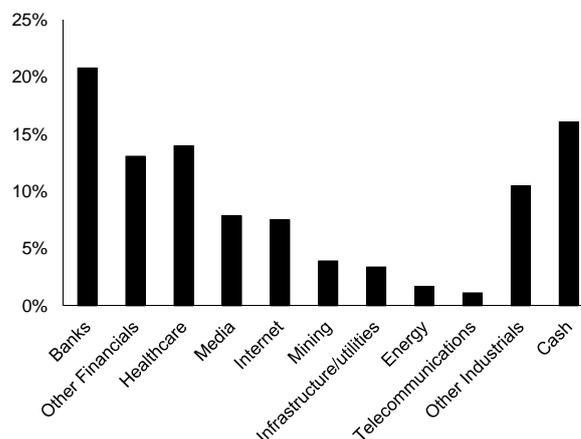
- Westpac
- 21<sup>st</sup> Century FOX
- National Australia Bank
- ResMed
- Magellan Financial Group

### SBF Performance

Return to 30 September 2013			
	SBF	Index*	Out Perf.
3 months	15.5%	10.3%	5.2%
1 year	53.7%	23.6%	30.1%
3 year p.a.	27.0%	8.9%	18.1%
5 year p.a.	25.9%	7.1%	18.8%
Since inception (31.07.08) p.a.	23.7%	5.5%	18.2%
Value of \$100,000 invested at inception	\$298,424	\$132,170	\$166,254

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 September 2013	SBF	Index*
% in S&P/ASX 20	30.6%	66.8%
% in S&P/ASX 50 less 20	7.9%	16.1%
% in S&P/ASX Mid 50	13.5%	9.4%
% outside S&P/ASX 100	32.0%	7.6%
% Cash	16.1%	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 daily on every business day in Sydney.
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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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