



# Smallco Broadcap Fund

## Quarterly Update 30 June 2015

### SBF Portfolio Commentary

The Smallco Broadcap Fund (SBF) delivered strong outperformance of its benchmark during the June quarter, amid weaker market conditions. For the financial year SBF delivered a total return of 17.0%, which was a pleasing 11.4% ahead of its benchmark.

Many of the Fund's key small cap positions performed well during the quarter, including Sirtex Medical (after it delivered a strong secondary endpoint from its SIRFLOX trial), Cover-More and Speedcast.

Broad equity market weakness during the quarter was driven by a combination of rising bond yields (which, along with concern over increasing capital requirements, impacted the Banks), stretched valuations that we spoke about in our March update and concerns over the Greek situation. While the selloff has presented some opportunities, the Fund's cash weighting has reduced only moderately as many higher quality businesses have either held up well or, in some cases, not fallen enough to represent sufficient value.

One stock in which the Fund has been active is travel insurer Cover-More (CVO) where the Fund started to build a significant position into share price weakness after the company's February Result. CVO is the leading integrated travel insurance and medical assistance provider in Australia (~40% share) and is developing a material business in Asia.

CVO's key attractions are that it is very capital light and thus generates strong cash flow and return on funds employed, the scale it has developed in a very specialised business (global medical assistance) drives competitive advantage, and its business model of joint venturing with partners and outsourcing underwriting risk is lower risk.

While CVO's short term results can be impacted by currency movements, we are attracted to its opportunities to further grow share in Australia and, more significantly, Asia. India in particular presents significant opportunity in the short to medium term.

### SBF Top 5 Holdings

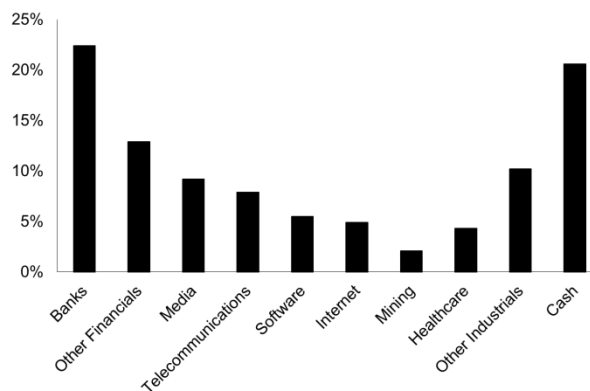
Westpac  
Commonwealth Bank  
Cover-More Group  
Isentia Group  
Sirtex Medical

### SBF Performance

Return to 30 June 2015			
	SBF	Index*	Out Perf.
3 months	-2.8%	-6.5%	3.7%
1 year	17.0%	5.6%	11.4%
3 year p.a.	31.0%	14.7%	16.3%
5 year p.a.	24.5%	9.5%	15.0%
Since inception (31.07.08) p.a.	21.6%	5.9%	15.7%
Value of \$100,000 invested at inception	\$384,690	\$148,420	\$236,270

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

### SBF Structure: by sector (look through)



### SBF Structure – by size

As at 30 June 2015	SBF	Index*
% in S&P/ASX 20	30.4%	63.9%
% in S&P/ASX 50 less 20	4.7%	18.2%
% in S&P/ASX Mid 50	5.0%	10.1%
% outside S&P/ASX 100	39.3%	7.9%
% Cash	20.6%	Nil

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



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### SBF Fund Description

SBF is a concentrated, long only, largely index unaware Australian Equities fund providing a broad exposure to the Australian listed market.

SBF typically holds 20-30 stocks and targets returns of 5% p.a. above the ASX 300 accumulation index after fees on a rolling 3 year basis.

SBF can invest up to 40% of assets outside of the ASX 100 and will deviate significantly from the index when appropriate opportunities are found.

The theoretical investable universe is anything which meets Smallco's liquidity requirements. In practice SBF very rarely invests in mining stocks other than the major miners, is very averse to loss making companies, and takes an extremely cautious approach to biotechs and structurally impaired industries.

SBF's portfolio is constructed around a large core of high quality longer term growth stocks. A range of smaller shorter term value ideas are wrapped around this when Smallco can identify such stocks that meet our requirements for earnings outlook and risk/reward.

SBF can hold up to 50% in cash. Elevated cash positions are held when opportunities are not present in the market.

Smallco's dominant investment tool is fundamental analysis. Focus is placed upon internal financial modelling supplemented by some broker research. We are strong believers that earnings are the key driver of share prices and as such the greater the accuracy in forecasting earnings the more consistent the outperformance.

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### Key Investor Information

Strategy	SBF is a concentrated, long only, largely index unaware Australian Equities fund providing a broad exposure to the Australian listed market.
Process	Smallco manages SBF employing a bottom up fundamental research approach focused upon earnings direction, risks and the underlying businesses quality.
FUM	\$104.0m AUD
Mid Price (cum dist)	\$1.8927 (30 Jun 2015)
Distribution	\$0.2197 (30 Jun 2015)
Inception Date	31 July 2008
Portfolio Managers	Andrew Hokin, Rob Hopkins, Bill Ryan, Paul Graham and Craig Miller
APIR Code	ASC0003AU
Minimum Initial	\$40,000
Buy/sell costs	+/- 0.45%
Management Fee	1.20% of net assets **
Performance Fee	15.0% of outperformance of the Standard & Poor's ASX 300 Accumulation Index. Payable quarterly in arrears. **
Application & Withdrawal Timing	Units are priced daily on every business day in Sydney.
Service providers	Custody: JP Morgan Administration: White Outsourcing

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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 are quoted 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.