



Smallco Broadcap Fund

Quarterly Update 31 December 2015

SBF Portfolio Commentary

The Smallco Broadcap Fund (SBF) delivered strong outperformance of its benchmark during the December quarter. This capped off a pleasing year in which the Fund delivered a total return of 20.6%, 17.8% ahead of its benchmark.

The strongest contributors during the quarter included the Outdoor Media sector, ISentia, Sirtex Medical, REA Group and Seek. Relative to the benchmark the Fund continued to benefit during the quarter from its very significant underweight position to the mining & energy sectors.

The broader market's modest performance in 2015 was primarily driven by Resources (down 24.9%), Banks (+1.7% but restrained by ANZ & NAB) and a number of large industrials facing increased pricing pressures (eg, Woolworths & the Insurers). Despite this the non-bank industrials segment delivered a total return of approximately 12%, reflecting the handsome rewards the market has bestowed upon quality growth stocks that have managed to meet or beat earnings expectations.

This, along with careful stock selection, has proven to be a favourable backdrop for the Fund's investment style. The result however is that, once again, valuations for the quality growth stocks the fund seeks have become more challenging. Accordingly, the Fund's cash position has expanded moderately.

Looking into 2016 the temptation may be to expect solid returns from equities after the modest return from the overall market in 2015. However, with global growth expected to remain tepid, continuing oversupply in a number of key commodities, interest rates appearing to have bottomed and many quality growth stocks already having re-rated substantially, such an outcome appears far from certain.

In this environment the Fund will remain disciplined in the deployment of its cash reserves and focused on quality stocks for which we have confidence in the earnings outlook and in the medium term valuation.

SBF Top 5 Holdings

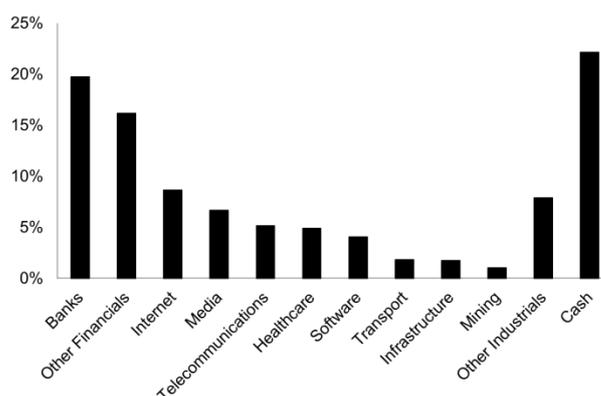
Westpac
Commonwealth Bank
Cover-More Group
Sirtex Medical
Isentia Group

SBF Performance

Return to 31 December 2015			
	SBF	Index*	Out Perf.
3 months	11.9%	6.5%	5.4%
1 year	20.6%	2.8%	17.8%
3 year p.a.	25.2%	9.0%	16.2%
5 year p.a.	22.5%	6.7%	15.8%
7 year p.a.	28.4%	9.9%	18.5%
Since inception (31.07.08) p.a.	21.9%	5.4%	16.5%
Value of \$100,000 invested at inception	\$432,317	\$147,896	\$284,421

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 31 December 2015	SBF	Index*
% in S&P/ASX 20	26.2%	61.5%
% in S&P/ASX 50 less 20	4.7%	18.4%
% in S&P/ASX Mid 50	13.5%	11.2%
% outside S&P/ASX 100	33.5%	8.9%
% Cash	22.1%	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	\$138.5m AUD
Mid Price	\$1.8801 (31 Dec 2015)
Distribution	Annually: 30 June
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.

Smallco
Investment Manager