



Smallco Broadcap Fund

Quarterly Update 31 March 2016

SBF Portfolio Commentary

The Smallco Broadcap Fund (SBF) fell short of its benchmark during the March quarter. This was primarily driven by outperformance of Resources stocks (which the Fund's style is heavily underweight), underperformance by smaller growth stocks (a key focus of the Fund) and disappointing results from Cover-More & Isentia.

The Australian equity market fell in the March quarter driven by heightened uncertainty over global economic growth trends, negative earnings revisions and concerns regarding credit quality in the banking sector. Resources outperformed driven by increased Chinese Government stimulus measures, Iron Ore restocking and short covering across a number of commodities. Higher growth smaller industrials generally underperformed as the market focused on the valuation stretch among this group that was highlighted in the Fund's December update.

With many of the Fund's key investments continuing to perform well operationally, the Fund utilised the broad based market weakness early in the quarter to increase its investment in a number of names, including Altium, Webjet and the Outdoor Media companies APN Outdoor and oOh!media. These investments were funded by a reduction in the Fund's exposure to Financials given caution around credit quality and equity market inflows.

The increase in the Fund's exposure to Outdoor Media reflected both the pricing opportunity and confidence in our view that the shift of advertising spend from other traditional media such as TV to Outdoor is still in its early stages. Indeed for the March quarter the Outdoor market grew 18.2% YoY, while TV ad spend fell 4.7% in the first two months as its 16-39 year old audience fell by 13.3% in the March quarter.

RESTRICTING FUND SIZE

We believe it is easier to achieve high returns by limiting the size of the fund. Consequently, as of 1st March 2016 the Fund will generally not accept new investor applications. Existing investors and wraps can continue to increase their holdings.

SBF Top 5 Holdings

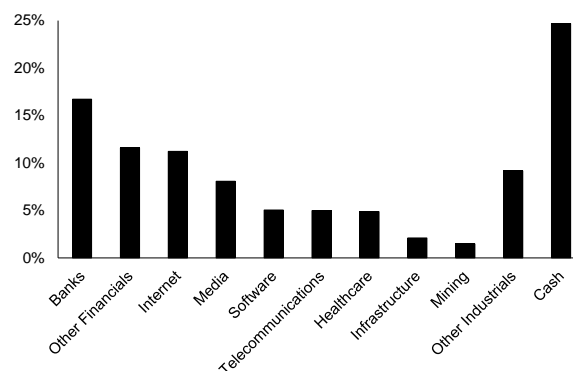
Commonwealth Bank
Westpac
APN Outdoor
Webjet
Sirtex Medical

SBF Performance

Return to 31 March 2016			
	SBF	Index*	Out Perf.
3 months	-5.6%	-2.6%	-3.0%
1 year	3.2%	-9.3%	12.5%
3 year p.a.	18.3%	5.3%	13.0%
5 year p.a.	20.1%	5.4%	14.7%
7 year p.a.	27.3%	9.8%	17.5%
Since inception (31.07.08) p.a.	20.2%	4.9%	15.3%
Value of \$100,000 invested at inception	\$408,296	\$143,988	\$264,308

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 March 2016	SBF	Index*
% in S&P/ASX 20	22.6%	59.7%
% in S&P/ASX 50 less 20	5.7%	19.1%
% in S&P/ASX Mid 50	9.0%	11.8%
% outside S&P/ASX 100	37.9%	9.4%
% Cash	24.8%	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	\$160.4m AUD
Mid Price	\$1.7757 (31 Mar 2016)
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.