



Smallco Investment Fund

Quarterly Update 30 June 2015

SIF Portfolio Commentary

Smallco Investment Fund (SIF) delivered -0.8% during the June quarter and for the 12 months was up a solid 15.7%.

The major positive contributors during the quarter were Cover-More Group, oOh!media, Sirtex Medical and Speedcast International. Significant negative contributions came from Seek and REA Group. For the June quarter the Small Ordinaries index returned negative 4.0% and for the year was up a very modest 0.4%.

World markets were flat over the quarter after being solidly up in April and sold off sharply at the end of the quarter when it became clear that Greece and its Eurozone creditors were having difficulties reaching agreement on a bailout. The ASX300 Index was down 6.5% for the quarter with not only international concerns but also anaemic domestic growth outlook concerns. Over the period, the RBA reduced its forecast for CY15 GDP which is now down to a very modest 2.25% and CY16 is currently down to 2.5-3.5%.

SIF has an investment in SpeedCast International (SDA). SDA is a global network and satellite communications service provider offering high-quality managed broadband network services for remote area applications. SDA provides services to a range of sectors all requiring remote area broadband access including shipping, oil & gas and mining. It also services remote communities and developing countries where there is a lack of terrestrial broadband infrastructure. SDA is not a satellite owner/operator but more an integrator and network services provider. SDA buys bandwidth from the satellite owners/operators, combines and installs hardware at the client's location/vessel and then gets paid under a long term contract for broadband network service provision (2-5 years).

Similar to the situation with traditional communications, the demand for voice and to a greater extent internet communications is growing exponentially for remote and maritime sites. SDA has led industry consolidation with a number of acquisitions over the last few years adding geographic and industry expansion. The company is enjoying significant economies of scale in satellite bandwidth costs as a result of its increased size.

Smallco forecasts for SDA are for EPS growth of 40% this calendar year and 23% next year. The stock is up 40% since listing almost a year ago.

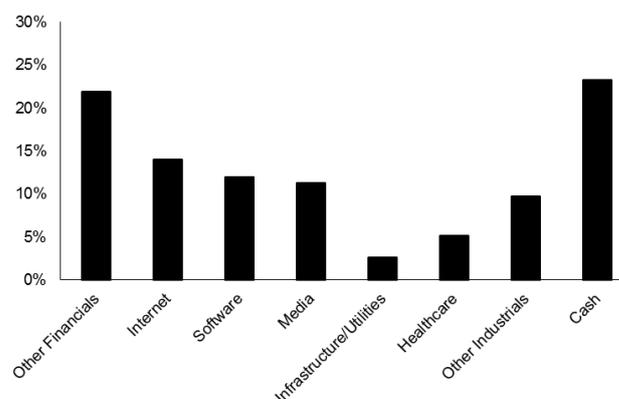
Please feel free to contact Craig Miller, one of our portfolio managers, for any queries or needs on 02 8256 1000.

SIF Performance

Return to 30 June 2015	
3 months	-0.8%
1 year	15.7%
3 year p.a.	30.4%
5 year p.a.	23.4%
10 year p.a.	11.8%
Since inception (31.10.00) p.a.	14.0%
Value of \$100,000 invested at inception	\$683,687

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

SIF Structure: by sector (look through)



SIF Significant Holdings (alphabetical order)

Cover-More Group
Isentia Group
oOh!media
Seek
Sirtex Medical



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SIF Fund Description

SIF is a concentrated, absolute return, index unaware Australian equity fund investing predominantly in smaller listed companies. In addition SIF may invest in cash when opportunities are scarce and invest up to 20% of the fund in larger Australian listed companies (within the ASX 100).

Smallco believes that higher returns are available from smaller companies as these companies are generally not as well followed by the market which in turn makes mispricing more common. Particular focus is placed upon companies with a market capitalisation of between \$100m to \$500m - the Smallco "sweet spot".

SIF typically holds 25 to 35 stocks on the premise that it is better to have a holding of core stocks that offer solid investment fundamentals than a large number of "OK" investments.

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.

Stock weightings within the portfolio are determined by the assessment of the quality of the stock, the likely investment outcome, liquidity and the risk of sustained capital loss.

SIF very rarely invests in mining stocks, is very averse to loss making companies, and takes an extremely cautious approach to biotech and structurally impaired industries.

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Key Investor Information

Strategy	SIF is a concentrated, Australian equity smaller company focused fund that invests predominantly long but can effectively short when opportunities are found.
Process	Smallco manages SIF employing a bottom up fundamental research approach focusing upon earnings direction, risks and the underlying businesses quality.
FUM	\$208.3m AUD
Mid Price (cum)	\$4.3354 (30 Jun 2015)
Distribution	\$0.3032 (30 Jun 2015)
Inception Date	31 October 2000
Portfolio Managers	Rob Hopkins, Bill Ryan, Andrew Hokin, Paul Graham and Craig Miller
APIR Code	ASC0001AU
Minimum Initial	\$40,000
Buy/sell costs	+/- 0.45%
Management Fee	1.40% of net assets *
Administration cost (FY14)	0.28% of net assets *
Performance Fee	18.64% of the performance above the fund's previous end-of-six-month period high. Payable 6 monthly. *
Service providers	Custody: JP Morgan Administration: White Outsourcing
Liquidity	Time to exit 50% of SIF assets: < 1 day

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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.