

# Smallco Investment Fund

MONTHLY UPDATE – 31 JANUARY 2005

## Benefits of the Fund

The main benefit the manager aims to achieve is high compound returns by investing in the stock market.

Smallco invests mostly in smaller Australian listed companies, but may invest up to 20% of the fund in larger Australian listed companies and some cash. The fund sometimes effectively short sells and uses gearing.

## Investment Style

Smallco actively looks for high quality, smaller companies whose share price is significantly less than what it considers to be the true underlying value of the shares. The manager actively manages the assets of the fund, selecting individual stocks with an emphasis on achieving growth in the value of the fund and also aiming to achieve some income.

Some characteristics of a quality, small company that the manager looks to identify include: high return on funds employed and cash generation ability, a strong board and good management team, strong competitive position and attractive earnings outlook.

In selecting shares to invest in, the manager typically focuses on a 3 year horizon, after which time it believes earnings forecasts become of considerably less value.

Investments can (and do) fall in value as well as rise. Generally speaking, the value which the market attributes to an investment will be a function of (amongst other things) the growth in the underlying earnings of that company. However, the manager believes that, in the short term, market values are often more representative of investor sentiment towards a company, rather than the true underlying value of the company's business.

Smallco's philosophy is that it is better to have a small number of good investments rather than a

large number of mediocre investments. Accordingly, the fund will generally be relatively concentrated and the manager generally expects the number of stocks to be between 25 and 35.

Investors should look to invest for a period of at least 3 years.

## Fund Manager

The manager of the fund is Smallco Investment Manager Limited, which was formed in April 2000. The manager was formed for the purpose of managing this fund.

The principals of the manager are Rob Hopkins and Bill Ryan, who combined have had over 25 years experience in the Australian investment markets.

## ASCIF Performance

| Return to 31 January 2005       |        |
|---------------------------------|--------|
| 1 month                         | 4.9 %  |
| 3 months                        | 15.2 % |
| 1 year                          | 55.8 % |
| 3 year *                        | 17.5 % |
| Since inception (31 Oct 2000) * | 19.3 % |

\*Returns annualised  
Returns calculated after fees and expenses based on exit price and reinvestment of distributions. Past performance is not a reliable guide as to future performance.

## Product Disclosure Statement (PDS)

Offers of interest in the fund can only be made in, or accompanied by, a copy of the product disclosure statement (PDS) issued by Smallco dated 1 November 2004. The PDS is available on the Smallco website [www.smallco.com.au](http://www.smallco.com.au) or free by contacting us. You should consider the PDS in deciding whether to acquire an interest in the fund.



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## Key Investor Information

|                                   |   |
|-----------------------------------|---|
| <b>Investment vehicle</b>         | <b>Unit trust</b>   |
| Recommended Time Frame            | Long term   |
| <b>Date Established</b>           | <b>31 October 2000</b>  |
| Approximate Fund Size             | \$30 m  |
| <b>Minimum Initial Investment</b> | <b>\$40,000</b>   |
| Minimum Additional Investment     | \$5,000   |
| <b>Minimum Withdrawal</b>         | <b>\$5,000</b>  |
| Entry Fee                         | 2% + Transaction costs (0.45% currently)  |
| <b>Exit Fee</b>                   | <b>Transaction costs (0.45% currently)</b>  |
| Application & Withdrawal Timing   | Units are priced on the last business day of the month – applications and redemptions are normally processed as soon as practicable after month end |
| <b>Annual Fee</b>                 | <b>1.5% of net assets</b>   |
| Performance Fee                   | 20% of the performance above the fund's previous end-of-six-month period high. Payable 6 monthly  |
| <b>Distribution</b>               | <b>Annually after 30 June</b>   |
| Distribution Reinvestment         | Available   |

### Contacting Smallco

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Fund's APIR Code ASC0001AU

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.

