

Smallco Investment Fund

MONTHLY UPDATE – 30 JUNE 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 30 June 2005	
1 month	4.9%
3 months	7.5%
1 year	39.9%
3 year *	24.8%
Since inception (31 Oct 2000) *	18.8%

*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 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

Investment vehicle	Unit trust
Recommended Time Frame	Long term
Date Established	31 October 2000
Approximate Fund Size	\$30 m
Minimum Initial Investment	\$40,000
Minimum Additional Investment	\$5,000
Minimum Withdrawal	\$5,000
Entry Fee	2% + Transaction costs (0.45% currently)
Exit Fee	Transaction costs (0.45% currently)
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
Annual Fee	1.5% of net assets
Performance Fee	20% of the performance above the fund's previous end-of-six-month period high. Payable 6 monthly
Distribution	Annually after 30 June
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.

