



Smallco Broadcap Fund

Quarterly Update 31 December 2014

SBF Portfolio Commentary

The Smallco Broadcap Fund (SBF) delivered solid outperformance of its benchmark during the December quarter. For the calendar year the Fund delivered a return of 15.4%, a pleasing 10.1% ahead of its benchmark.

The strongest contributors during the quarter included 21st Century Fox, Sirtex Medical, OzForex and Vista Group. Relative to the benchmark, the fund continued to benefit during the quarter from its significant underweight position to the mining and energy sectors.

During the quarter the Fund established a number of new positions, the most significant being:

- Positions in both Outdoor Media listings (APN Outdoor and oOh!media) – we expect the digitisation of this sector will lead to solid market share gains over the next 3-5 years.
- Re-establishment of the Fund's position in 21st Century Fox post the change to the PDS communicated to investors in October.

These positions were partly funded through exiting small positions in the retail & energy sectors. Accordingly, the Fund's cash weighting reduced somewhat.

Although the Australian equity market overall delivered a modest return during 2014, quality stocks, in particular defensive and defensive growth stocks, generally performed very well. These sectors benefited from the chase for yield and the flight out of resources respectively. The result of these gains, coming after strong gains for industrials in 2012 and 2013, is that many higher quality businesses (particularly some with more modest growth profiles) are priced at high levels relative to our expectations of their future earnings growth.

SBF's approach in this environment is to maintain its quality bias but focus on those stocks whose growth outlook we believe has been less factored in by the market. Examples of this include some of the higher growth businesses such as REA Group and iSentia, and the Outdoor Media companies.

SBF Top 5 Holdings

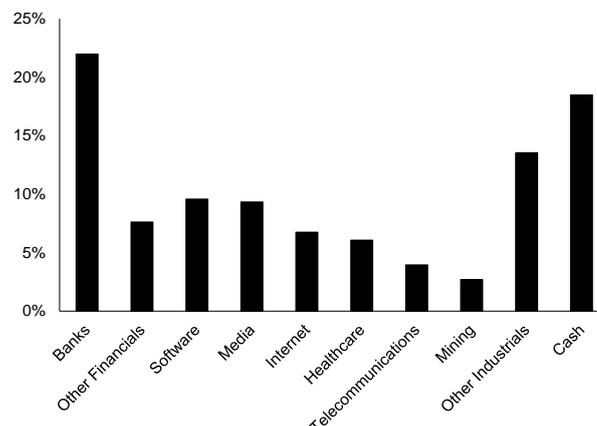
Commonwealth Bank
Sirtex Medical
Westpac
Isentia Group
National Australia Bank

SBF Performance

Return to 31 December 2014			
	SBF	Index*	Out Perf.
3 months	4.6%	2.9%	1.7%
1 year	15.4%	5.3%	10.1%
3 year p.a.	35.0%	14.7%	20.3%
5 year p.a.	22.2%	6.5%	15.7%
Since inception (31.07.08) p.a.	22.1%	5.8%	16.3%
Value of \$100,000 invested at inception	\$358,352	\$143,862	\$214,490

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 2014	SBF	Index*
% in S&P/ASX 20	29.6%	65.9%
% in S&P/ASX 50 less 20	5.0%	16.2%
% in S&P/ASX Mid 50	10.7%	10.3%
% outside S&P/ASX 100	36.2%	7.6%
% Cash	18.5%	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	\$93.7m AUD
Mid Price	\$1.7632 (31 Dec 2014)
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.