



Smallco Broadcap Fund

Quarterly Update 30 June 2016

SBF Portfolio Commentary

The Smallco Broadcap Fund (SBF) fell moderately short of its benchmark during the June quarter, primarily reflecting a strong rebound by the Resource sector which the Fund's style is significantly underweight. For the Financial Year SBF's total return of 9.3% exceeded its benchmark by 8.4%.

During the first 6 months of 2016 performance of the Australian share market has been driven by a strong rebound in Resources (primarily reflecting supply cuts in Oil and a weakening US dollar) and continued gains in a small number of highly priced industrial growth companies. In the latter case the common driver has been ongoing disappointing global and local economic growth outcomes, which has further driven down market interest rates and seen many businesses with good structural growth bid up to very high valuations.

Recent events such as the UK voting to exit the European Union and the failure of either party to achieve a strong mandate in the Australian election, risk pressuring growth and interest rates lower in parts of the world, including Australia. In such a situation quality growth businesses that meet earnings expectations may become even more richly priced, paradoxically increasing the risk of holding certain "quality" businesses.

This risk was the key driver of the recent change to the Fund's investment restrictions which provides the Fund with greater flexibility to invest in quality businesses just outside of the ASX 100 index. Indeed, since becoming effective post quarter end this has enabled the Fund to deploy part of its elevated cash balance into favoured quality franchises.

SBF Top 5 Holdings

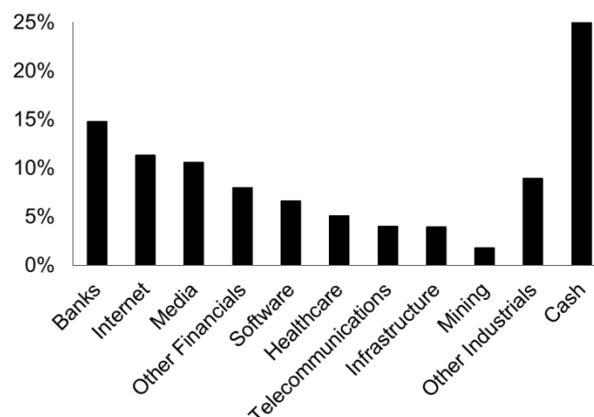
Commonwealth Bank
Westpac
Webjet
Ooh!Media Limited
Sirtex Medical

SBF Performance

Return to 30 June 2016			
	SBF	Index*	Out Perf.
3 months	3.0%	4.0%	-1.0%
1 year	9.3%	0.9%	8.4%
3 year p.a.	17.6%	7.7%	9.9%
5 year p.a.	21.8%	7.2%	14.6%
7 year p.a.	24.2%	8.7%	15.5%
Since inception (31.07.08) p.a.	20.0%	5.2%	14.8%
Value of \$100,000 invested at inception	\$420,352	\$149,716	\$270,636

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 30 June 2016	SBF	Index*
% in S&P/ASX 20	23.1%	58.7%
% in S&P/ASX 50 less 20	3.7%	19.5%
% in S&P/ASX Mid 50	8.3%	12.2%
% outside S&P/ASX 100	39.8%	9.6%
% Cash	25.1%	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	\$183.0m AUD
Mid Price (cum dist)	\$1.8282 (30 Jun 2016)
Distribution	\$0.0671 (30 Jun 2016)
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.