



# Smallco Investment Fund

## Quarterly Update 31 March 2015

### SIF Portfolio Commentary

The return for Smallco Investment Fund (SIF) was 5.0% during the March quarter and 12.6% for the year. During the quarter our investments in Altium, GBST Holdings, Isentia and Speedcast International were each up in excess of 30%.

For the March quarter the Small Ordinaries index returned 7.3% while for the year it was up 2.3%.

Over the quarter European markets were driven higher on the back of the ECB's Quantitative Easing while the US market marked time. In Australia, the industrial market performed strongly despite some earnings disappointments, with valuations now very high on historical measures but continuing to be driven by the prospect of yet lower interest rates. SIF finished the quarter with 30% cash as some higher priced stocks have been trimmed and have not been fully replaced.

Sirtex, which we have spoken about previously, has been a very profitable investment for SIF. In March it reported the initial results of the SIRFLOX trial which were a disappointing negative result in overall Progression-Free Survival (but a statistically significant improvement in Progression-Free Survival in the liver). More details will be released in May but it is quite possible we will have to wait for the results of future trials before we know the real value of Sirtex's product SIR-Spheres. As at the end of March Sirtex had delivered a return in excess of double SIF's initial investment in the two and a half years that we owned it, largely due to the fact that we had been prudently reducing our holding during the quarter leading into the announcement.

SIF has substantial investments in both the outdoor media companies which listed late last year – APN Outdoor Group and oOh!media. Both have performed well since listing. The outdoor advertising industry grew by 22.4% in the March 2015 quarter after posting a solid gain of 10% in calendar year 2014. The major driving force of these strong gains has been the industry wide digitisation which is occurring currently, principally due to the falling cost of large format video panels. Digitisation enables the advertising companies to typically show five screens where they had previously shown one, interact with viewers in real time and mount new advertising campaigns in a matter of days rather than months. We expect the digitisation of outdoor advertising to lead to solid market share gains for the sector over the medium term.

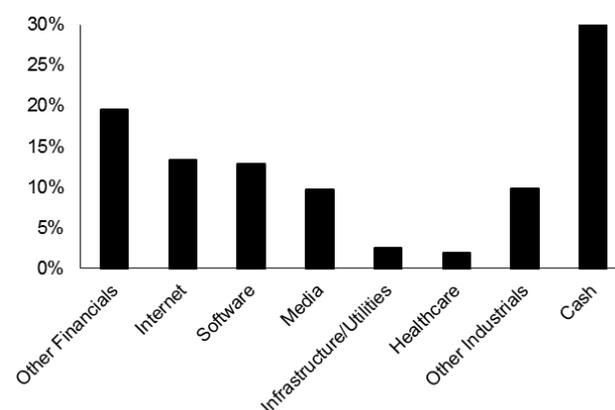
Please feel free to contact Craig Miller, one of our portfolio managers, for any queries or needs on 02 8256 1000.

### SIF Performance

Return to 31 March 2015	
3 months	5.0%
1 year	12.6%
3 year p.a.	32.9%
5 year p.a.	22.2%
10 year p.a.	12.7%
Since inception (31.10.00) p.a.	14.3%
Value of \$100,000 invested at inception	\$689,490

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)

APN Outdoor Group  
Isentia Group  
oOh!media  
REA Group  
Seek



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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	\$218.4m AUD
Mid Price	\$4.3722 (31 Mar 2015)
Distribution	Annually: 30 June
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.