



Smallco Investment Fund

Quarterly Update 31 March 2016

SIF Portfolio Commentary

Smallco Investment Fund (SIF) delivered -2.8% for the March quarter and +17.2% over the past year. For the quarter the Small Ordinaries index was +1.0% and for the year +3.7%.

For SIF, the negative March quarter's performance followed a strong December quarter when the fund returned +13.0%. For the six months to 31st March the return was a very solid 9.8%. We commented in the December Quarterly that "by historical standards good quality industrial stocks are on high valuations". In the March quarter, in common with the market, a number of our good quality industrial stocks did fall in share price including Isentia, Magellan Financial Group and oOh!media. Positive contributors for the quarter were Altium, Aconex and APN Outdoor.

In the 4 years to 31st March 2016, Altium's (ALU) share price has gone from \$0.24 to \$5.90 and as such has been a strong contributor to the fund's return. ALU produces ECAD (electronic design automation) software, which are tools for designing electronic systems such as printed circuit boards and integrated circuits. Historically, ALU has concentrated on the mainstream mid-priced level of the ECAD market, but over the last few years has been expanding its product features so that it can compete more effectively at the high end of the market. Additionally, it has produced a cut down version for use at the low end of the market.

For some time, the vision of Altium's management has been to produce a fully integrated electronic and mechanical product (ECAD/MCAD) so that electrical and mechanical design engineers can work in a seamless software system. Hence, the February 2016 formal launch of PCBWorks which is an ECAD/MCAD product developed by ALU in conjunction with SOLIDWORKS, possibly the world's leading MCAD product, is a significant step forward.

Over the last 4 years, while developing these products Altium has achieved revenue growth greater than 10% pa with cost growth significantly lower and profit growth considerably higher. It continues to be one of our 5 major holdings.

RESTRICTING THE FUND SIZE

We believe it is easier to achieve high returns by limiting the size of the fund. Consequently, as of 1st March 2016 the Fund will generally not accept new investor applications. Existing investors and wraps can continue to increase their holdings.

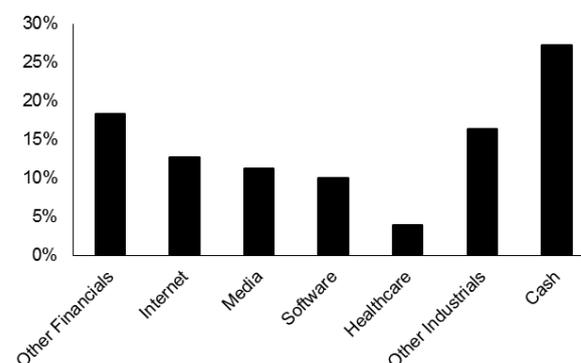
Please feel free to contact Craig Miller, one of our portfolio managers, for any queries or needs on 02 8256 1000.

SIF Performance

Return to 31 March 2016	
3 months	-2.8%
1 year	17.2%
3 year p.a.	20.9%
5 year p.a.	23.4%
10 year p.a.	11.0%
Since inception (31.10.00) p.a.	14.5%
Value of \$100,000 invested at inception	\$807,741

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
Altium
Isentia Group
oOh!media
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	\$292.6m AUD
Mid Price	\$4.7639 (31 Mar 2016)
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 (FY15)	0.25% 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.