

## FACT SHEET

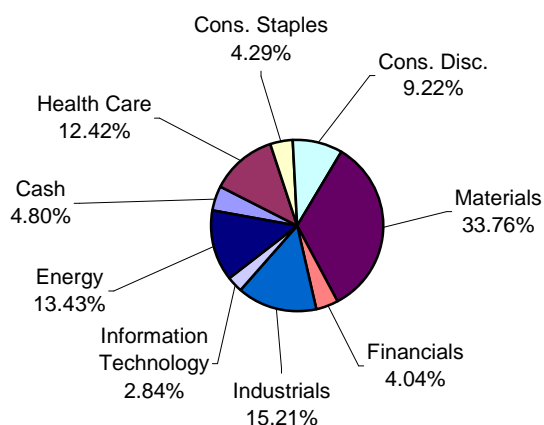
<b>Investment objective</b>	To outperform the S&P/ASX Small Ordinaries Accumulation Index by greater than 4-5% per annum over rolling three to five year periods before taking into account fund fees and expenses.		
<b>Investments held</b>	A diversified portfolio of stocks comprising listed companies that are outside the S&P/ASX100 Index.		
<b>Investment Manager</b>	SG Hiscock & Company		
<b>APIR</b>	ETL0118AU		
<b>Commencement</b>	9 October 2001	<b>Buy spread</b>	+0.35%
<b>Management costs<sup>1</sup></b>	1.179% p.a.	<b>Sell spread</b>	-0.35%
<b>Minimum Initial Investment</b>	\$50,000	<b>Investment pool size</b>	\$116.442 million

Unit Prices	Purchase	Net Asset Value	Withdrawal
30 April 2012	\$1.9632	\$1.9563	\$1.9495

Performance as at 30 April 2012 <sup>2</sup>	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Incept' % p.a.
Distribution Return	0.00	0.00	0.12	0.10	0.58	2.94	6.76
Growth Return	-2.27	1.61	1.40	-11.06	19.70	-5.11	6.56
Total Net Return	-2.27	1.61	1.52	-10.96	20.28	-2.17	13.32
S&P/ASX Small Ordinaries Accum. Index	-0.92	5.73	4.98	-6.98	12.70	-4.97	8.57
Total Net Return vs. the Index	-1.35	-4.12	-3.46	-3.98	7.58	2.80	4.75

Distribution Period	30 Jun 2010	31 Dec 2010	30 Jun 2011	31 Dec 2011
Distribution rate (cents per unit)	0.0456	1.1812	NIL	0.2084

### Asset allocation as at 30 April 2012



### Top 10 holdings as at 30 April 2012

Sirtex Medical	Aurora Oil & Gas
Resolute Mining	Webjet
Lycopodium	RCR Tomlinson
Red 5	Metals X
Engenco	Nexus Energy

Top 10 holdings represent 45.31% of the total fund.

1. Includes estimated GST payable, after taking into account reduced input tax credits (RITC).

2. Performance: Distribution Return is the return due to distributions paid by the Fund, Growth Return is the return due to changes in initial capital value of the Fund, Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.

**For more information visit our website [www.eqt.com.au](http://www.eqt.com.au) or telephone EQT Funds Management on 1300 555 378.**

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# EQT SGH Wholesale Small Companies Fund

30 April 2012



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### COMMENTARY

#### Summary

- The Small Companies Fund lost 2.27% for the month under-performing its benchmark the S&P/ASX Small Ordinaries Accumulation Index which declined 0.92%. For April, the Small Industrials Accumulation Index fell 0.05% compared to the S&P/ASX Small Resources Accumulation Index which declined 2.37%.
- Our better performing stocks for the month included Customers Limited (up 33.7%) and Norton Gold Fields (up 24.3%) which were both subject to takeover offers, Sirtex Medical (up 24.25), Western Desert Resources (up 17.5%), Slater & Gordon (Up 15.6%), Tassal Group (up 12.9%), Aurora Oil & Gas (up 9.8%), Webjet Limited (up 8.6%), Pro-Pac Packaging (up 7.3%) and Equity Trustees (up 3.2%).
- Stocks that declined for the month include gold mining stocks Noble Mineral Resources (down 31.3%), Reed Resources (down 23.8%), Apex Minerals (down 15.0%), Westgold Resources (down 12.2%), Endeavour Mining Corp (down 9.1%), Resolute Mining (down 6.6%) and Red5 Limited (down 6.1%). Others stocks to decline include Sino Gas Energy (down 13.6%), Car Park Technologies (down 8.1%), Warrnambool Cheese (down 7.7%), RCR Tomlinson down (7.6%) and 1300 Smiles Limited (down 5.35%).

Although the Australian share market hit a 9 month high in April, driven by speculation of a Reserve Bank of Australia rate cut, the small company sector struggled to post any gains. In particular, small resource stocks continued to labour with the conflicting fears of a slow-down in China impacting on commodity demand and the strength of the US economy, diminishing prospects of additional quantitative easing - "QE3", and now, with the spotlight firmly back on Europe and the sovereign debt crisis, after the French and Greek election results, the market appears to have entered into another panic liquidation cycle. As we have experienced in the past when these occur and there is a mass rush to the exits - to raise cash at any cost - no stocks and sectors are generally spared. This happened in 2008, in 2011, and looks like happening again with the change of governments in Europe. However as we also experienced with these past episodes, it pays not to panic, as eventually the fundamentals take over and shares rise again to reflect their true value. To that extent, we think it is worth re-visiting how we think governments will eventually deal with the sovereign debt crisis and why we are long term bullish on shares and hold such a large gold position in our portfolio.

With regard to our gold shares, unfortunately gold stocks have been hit extremely hard in the last six months – this is partly because of poor liquidity. Nevertheless, by any measure gold shares are now extremely cheap – approaching levels last seen post the global financial crisis in 2009. Likewise, investor sentiment in this sector is as negative as we can ever remember. Which is amazing considering that we are more than ten years into a gold bull market. The ratio of the S&P/ASX Gold Index to the \$AUD gold price, \$USD gold relative to oil (which is a crude indicator of gold industry operating profit margins) and \$USD gold relative to financial assets suggest that gold shares are cheap on all measures. And once the trend turns up, which we expect is not too far away, then we expect strong performance gains for our gold shares ahead.

We haven't written about one of our largest portfolio positions - Sirtex Medical (ASX Code SRX) - for some time. The company is focused on SIR Spheres technology for the treatment of liver cancer. SIR-Spheres are microscopic radioactive polymer spheres that contain yttrium-90 (Y-90) and emit pure radiation. The microspheres allow doctors to treat inoperable liver cancer patients by targeting tumours with internal radiation - without causing significant side effects to the normal cells around the tumour. SIR-Spheres have been available for use for some time, however for a number of reasons; including a lack of clinical data, the company has been slow to really penetrate its key markets. Nevertheless, given the profitability of SIR-Spheres - gross profit margins of around 80% - the company has still been able to grow earnings strongly over the last 5 years, even with the headwind of a rising Australian dollar. The good news now is that sales growth now seems to be at an inflexion point. Sirtex recently announced that its March quarter sales growth was up 34% compared to the previous corresponding period - which gives the company now 31 consecutive quarters of sales growth. And, impressively, the volume of dose sales in the company's largest market the US surged by 47%. This is the biggest increase in the number of doses sold in a quarter ever achieved by Sirtex in its history. SIR-Spheres are now being used in 580 medical centres in 27 countries. While the company's PE ratio is not cheap, it has no debt and \$40m of cash on its balance sheet. At the same time it has also been funding a range of clinical studies aimed at demonstrating the efficacy of SIR-Spheres as a first-line treatment in a range of cancers. The most advanced trial is in colorectal cancer that has spread to the liver. This is a 450-patient study, which is testing SIR-Spheres in combination with existing chemotherapy. The results are expected in 2014. If the study is successful, then we expect that SIR-Spheres will move from its current use as a third line salvage treatment, to a front-line therapy for cancer treatment, exposing the company to a market potentially 10 times bigger. Evidence suggests that Sirtex has a good chance of achieving positive trial results, based on previously published results, which also suggests in time, a significantly higher share price.