EQT Small Companies Fund

31 March 2012

FACT SHEET

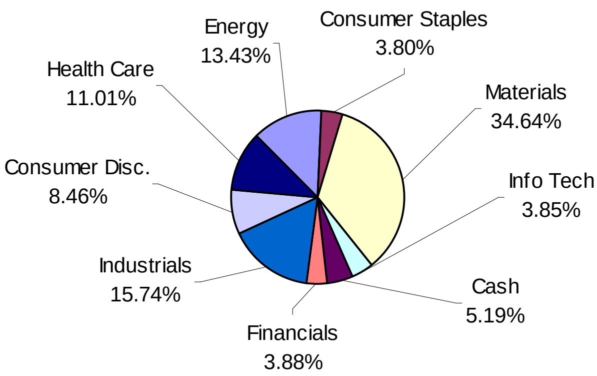
Investment objective	To outperform the S&P/ASX Small Ordinaries Accumulation Index by greater than 4-5% per annum over rolling three to five year periods before taking into account fund fees and expenses.		
Investments held	A diversified portfolio of stocks comprising listed companies that are outside the S&P/ASX100 Index.		
Investment Manager	SG Hiscock & Company		
APIR	ETL0109AU	**Buy spread**	+ 0.35%
Commencement	22 June 2001	**Sell spread**	- 0.35%
Management costs[1]	2.153% p.a.	**Investment pool size**	$119.62 million
Minimum initial investment	$5,000	**Fund size**	$7.23 million

Unit Prices	**Purchase**	**Net Asset Value**	**Withdrawal**
31 March 2012	$0.8671	$0.8640	$0.8610

Performance as at 31 March 2012[2]	**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	0.00	0.00	0.12	3.90	13.37
Growth Return	-0.42	10.57	9.18	-10.13	24.39	-5.63	-1.35
Total Net Return	-0.42	10.57	9.18	-10.13	24.51	-1.73	12.02
S&P/ASX Small Ordinaries Accum. Index	0.19	14.98	14.30	-8.57	17.93	-3.85	7.76
Total Net Return vs. the Index	-0.61	-4.41	-5.12	-1.56	6.58	2.12	4.26

Distribution Period	**30 Jun 2010**	**31 Dec 2010**	**30 Jun 2011**	**31 Dec 2011**
Distribution rate (cents per unit)	NIL	NIL	NIL	NIL

Asset allocation as at 31 March 2012



Top 10 holdings as at 31 March 2012	
Resolute Mining	Aurora Oil & Gas
Red 5	Webjet
Sirtex Medical	Metals X
Lycopodium	RCR Tomlinson
Engenco	GI Dynamics

Top 10 holdings represent 43.44% 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 or telephone EQT Funds Management on 1300 555 378.

EQT Small Companies Fund

31 March 2012

FACT SHEET

COMMENTARY

Summary

- The portfolio lost 0.33% slightly under-performing its benchmark which rose by 0.19%.
- Our better performing stocks for the month include Strike Energy (up 29.4%), Car Park Technologies (up 25.4%), Western Desert Resources (up 20.3%), 1300 Smiles Limited (17.9%), Aurora Oil & Gas (up 16.3%), RCR Tomlinson (up 15.4%), Galaxy Resources (up 10.6%), Engenco Limited (up 9.3%), Customers Limited (up 8.1%), Webjet Limited (up 7.8%), Karoon Gas Australia (up 7.8%), Equatorial Resources (up 7.7%), Warrnambool Cheese (up 7.7%), Nexus Energy (up 7.3%), Lycopodium Limited (up 6.1%), Sino Gas Energy (up 6.0%), Pro-Packaging (up 4.7%), Tassal Group (up 4.2%) and biotechnology company Sirtex Medical (up 3.2%).
- Stocks that declined for the month include Apex Minerals (down 66.6%), CBD Energy (24.3%), Cobar Consolidated (down 19.9%), Red5 Limited (down 14.9%), Noble Mineral Resources (down 14.4%), Reed Resources (down 9.5%), Westgold Resources (down 6.8%), Cleaview Wealth (down 6.3%), MetalsX Limited (down 6.0%), Equity Trustees (down 4.5%), Beach Energy (down 4.4%), Endeavour Mining (down 3.5%) and Universal Biosensors (down 2.6%).

The small companies market posted its best quarter since September 2010 with industrial stocks outpacing a struggling resources sector. Although we have been focused on global macro factors as the key driver of equity markets everywhere - and have been forecasting the sovereign debt market crisis to extend and more quantative easing to trigger a “crack up boom“ across world equity markets - we now think there are a number of domestic issues that are likely to be of equal focus for investors over coming months. Firstly, even though the Reserve Bank of Australia has been reluctant to cut interest rates, preferring to keep its powder dry, it seems abundantly clear that Australia’s growth rate has slowed and that the east coast of Australia is struggling across a number of sectors; with retail, housing & construction, manufacturing and tourism the hardest hit. Likewise, credit growth remains very modest and business investment outside of the resources industry is poor. Although the slowdown in growth in these sectors has been offset by growth in resource projects and mining services, which is the structural change to the Australian economy the Reserve Bank keeps talking about, it does seem clear that a number of interest rate cuts are now required to improve business confidence and to stop the hollowing out of the domestic economy. This is the so called Dutch Disease - which explains the relationship in a commodities boom between an increase in resources demand, a rising real exchange rate and an offsetting decline in the manufacturing sector without an increase in competitiveness. Secondly, with the Federal Government intent on delivering on its promise of a FY13 budget surplus, fiscal policy will be contracting strongly over the next twelve months. This is likely to add to further calls for offsetting interest rate cuts as the impact of the introduction of the carbon tax and large cuts to government spending work their way through the economy. These calls for interest rate relief are likely to increase, particularly if the inflation rate remains within the Reserve Bank’s target band and perhaps more importantly if the unemployment rate starts to climb. And thirdly, a narrowing of interest rates differentials between Australia and offshore bond markets, coupled with an inevitable slowdown in Chinese growth rates and what looks like a peak in Australia’s terms of trade, would suggest that the Australian dollar has also topped in the short term. However, we would also note that we still see continued demand for the Australian dollar as one of the few AAA rated bond markets in the world and through the continued long term demand for our resources (real assets) as a shelter to fears of sovereign debt default and negative real US interest rates.

Overall, we think that the effects of any interest rates cuts from the Reserve Bank and a pullback in the Australian dollar will be very bullish for the Australian equity market - for both industrial and resource company profits. Although we still see more sovereign debt and banking problems in Europe, most likely in Spain, which looks to be the next shoe to drop in this rolling crisis, and more stock market volatility as a result, we nevertheless think that the prospect of falling cash rates will provide strong valuation support for the domestic equity market, primarily as there is a growing mountain of superannuation cash sitting on the sidelines, which is invested in low yielding bank deposits and fixed interest securities and which ultimately, should be invested in the Australian equity market. While there have been calls recently for reduced equity exposure for retirement savings, the reality is that the best way to protect purchasing power is to invest in equities to take advantage of the higher dividend yields and franking credits. As such, we see the growing demand for retirement income and capital growth in due course pushing local share prices higher.

For more information visit our website www.eqt.com.au or telephone EQT Funds Management on 1300 555 378.