

CELESTE

Funds Management

Celeste Australian Equity Fund

Monthly update 28 February 2010

Fund Performance

The Fund was up 1.3% in February, compared to its benchmark, the S&P/ASX All Ordinaries Accumulation Index, which was up 1.8%.

The US S&P Index was up 2.9% and the NASDAQ up 4.2%. The UK FTSE was also stronger, up 3.2% while the Nikkei was down 0.7%.

For the year the Fund rose by 46.9% compared to a 47.0% increase for the S&P/ASX All Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 15.3%pa versus a return of 9.1%pa for the Index

Portfolio Highlights

Ansell was up 11.2%, delivering a strong result and upgrading its full year earnings guidance on the back of a recovery in its occupational division. The Ansell result is all the more commendable given the soaring price of latex, one of its main input costs. **Resmed** (11.1%) delivered a record result and its product pipeline bodes well for a strong 2011 performance. **Westpac** (9.5%) surprised the market with a first quarter update displaying a strong reduction in impairment charges. **IOOF Holdings** (6.6%) posted a solid result, surprising in the level of synergies extracted from the Australian Wealth Management merger and good underlying business performance. **ANZ Banking Corporation** (6.5%) also delivered a positive first quarter update, which featured a 35% lower provision charge than in the previous corresponding period.

Primary Health Care was down 20.5%, as the introduction of co-payments affected both the Pathology and Medical Centre divisions. **Telstra** was down 11.1%, on reporting a faster than expected revenue decline. Global insurer, **QBE Insurance** (-6.6%) was marked down as its insurance margin was slightly below market expectations. QBE maintained FY 2010 full year earnings guidance. **Sonic Healthcare** was down 4.5%, with its result negatively affected by currency movements.

Portfolio Activity

In February the Fund added to its **Myer Holdings** position. Cash at month end amounted to 1.5%.

Market Comments

The FY 2010 interim reporting season has been the primary focus of market attention in February. In general the reporting season delivered to expectation with the number of shocks to the system diminished, a not totally surprising situation given continuous disclosure obligations. The interim reporting season did highlight that across the domestic economy achieving sales growth remained a challenge, with corporate sector top lines anaemic by and large. We expect that with the sales environment the worst has passed and that improvement will be evident as calendar 2010 progresses. Balance sheets across the listed market are in good shape with coverage ratios healthy and net debt levels manageable given current operating conditions. In the short term we expect that investors will move their attention to a rising interest rate environment, domestically and globally, and to sovereign debt fissures opening up across Europe. The outworking of Chinese governments attempts to slow their economy, and to slow commercial lending volumes specifically, is very much a work in progress that will have a significant bearing on the direction of equity markets in month's to come.

Performance Statistics (Net of fees)

	Celeste Australian Equity Fund	ASX All Ord Acc Index	Difference
1 month %	1.3	1.8	-0.5
3 month %	-0.6	-0.6	0.0
1 year %	46.9	47.0	-0.1
2 years % pa	1.9	-5.3	+7.2
3 years % pa	0.3	-3.2	+3.5
4 years % pa	6.7	3.0	+3.7
5 years % pa	8.1	6.7	+1.4
7 years % pa	14.6	12.2	+2.4
10 years % pa	14.7	8.3	+6.4

Past performance is not necessarily indicative of future returns.

Portfolio Structure (Top 5 holdings)

Stock	% of Fund
1 COMMONWEALTH BANK OF AUSTRALIA	8.5
2 ANZ BANKING GROUP	7.8
3 TELSTRA	6.6
4 RIO TINTO	6.3
5 WOOLWORTHS	5.4
SMALLER COMPANIES	14.9
OTHER STOCKS	49.0
CASH	1.5
TOTAL	100%

Fund at a Glance

Celeste Australian Equity Fund

- **Primary Investments** Shares in listed Australian companies
- **Investment objective** All Ordinaries Acc Index + 3% p.a. over rolling 3 years
- **Investor time horizon** Minimum 3 years

Distribution History

Total distribution for the year ended	Cents Per Unit	Annual Yield %*
June 07	40.94	27.2
June 08	8.58	5.4
June 09	1.05	0.8

*CPU/unit price at beginning of period.

Fund Information

Unit price (redemption) as at 28.02.10	\$1.3582
Unit price (application) as at 28.02.10	\$1.3692
Minimum investment	\$25,000
Minimum additional investment	\$1,000
Minimum balance	\$15,000
Minimum investment: monthly investment plan	\$500
Redemption will generally be available in	7 days
Distributions	30 June and 31 December
Entry fee*	0%
Exit fee*	0%
Buy/Sell differential*	0.40%
Management fee*	0.95% effective 1 March 2010
Performance fee**	20% of return above benchmark
OGFM***	0.95% p.a. effective 1 March 2010

* These fees and charges apply for the duration of the Product Disclosure Statement (PDS) and are inclusive of the Goods and Services Tax.

** A fee charged on performance of the investments of the Fund above the nominated benchmark performance. The benchmark is the ASX All Ordinaries Accumulation Index.

*** The Ongoing Fee Measure (OGFM) is the total amount of the ongoing Manager and Custodian Fees and aggregate Fund expenses in a Financial Year (but excluding the performance fee), divided by the average Net Asset Value of the Fund for the Financial Year expressed as a percentage. Transactional costs, such as bank charges, brokerage and stamp duties are not included in the ratio. The OGFM for the Fund will not exceed 0.95% p.a. for the duration of the PDS.

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