

CELESTE

Funds Management

Celeste Australian Equity Fund

Monthly update 31 March 2010

Fund Performance

The Fund was up 5.3% in March, compared to its benchmark, the S&P/ASX All Ordinaries Accumulation Index, which was up 5.8%.

The US S&P Index was up 5.9% and the NASDAQ up a strong 7.1%. The UK FTSE was up 6.1% while the Nikkei was up a strong 9.5%, following a softer February.

For the year the Fund rose by 42.6% compared to a 44.0% increase for the S&P/ASX All Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 15.6%pa versus a return of 9.5%pa for the Index

Portfolio Highlights

IOOF Holdings (11.3%) posted further gains, as investors digested the half year result announced in February. **RIO Tinto** was up 11.3%, as base metal and oil prices firmed and indications were that bulk commodities are likely to move from yearly to quarterly contract pricing, potentially taking prices closer to higher spot pricing levels. **ANZ Banking Corporation** (9.6%) received regulatory approval for the acquisition of the RBS Singapore, Taiwan, and Hong Kong businesses. **Resmed** (8.9%) continued to rise following its strong first half result in February. **Bank of Queensland** was up 8.5%, as it acquired a Consumer Credit and Life Insurance business off CBA and remains in negotiations for further acquisitions. **Computershare** (7.5%) presented a positive market briefing in March that highlighted further business opportunities for the company. **Orica** rose 7.1% despite receiving an adverse tax ruling early in the month, which the company might appeal, highlighting the strength of sentiment towards the resources sector.

QBE Insurance (-2.7%) noted at its AGM that headwinds from continued strength of the Australian dollar and low interest yields are expected to continue in 2010. **Foster's Group** retraced 1.9%, as the UK government increased the duty on wine by 10p per bottle, with further rises at 2% ahead of inflation due over the next 5 years. **Insurance Australia Group** (-1.8%) had to issue two profit warnings due to extreme weather events.

Portfolio Activity

In March the Fund exited its remaining **Primary Healthcare** position. Cash at month end amounted to 3.6%.

Market Comments

The 5.8% performance of the All Ords in March continued the trend of 2009, with the rolling 12 month returns of the All Ordinaries Index now up 44%. The trend in the Australian market appeared part of a broader global euphoria with many international markets at 12 month highs. Whilst domestic economic news in March was on balance positive we remain sensitive to the trend of rising rates domestically, and to a continuation of this trend for some time to come. In a global context we also remain alert to the ongoing spectre of sovereign debt problems (Greece, Portugal, Ireland, Italy, Spain, etc) and of greater questioning on the Chinese economic front, in terms of both growth expectation and on whether Chinese government primed lending growth may have fostered the evolution of certain bubbles emerging in the 'middle kingdom'. We maintain a high degree of caution at present and believe that markets, both domestically and globally, make take breath in the next few months as the economic landscape evolves and investors await a greater degree of clarity. Our focus remains on the application of our investment process, with consistency & diligence, irrespective of market mood swing & economic uncertainty.

Performance Statistics (Net of fees)

	Celeste Australian Equity Fund	ASX All Ord Acc Index	Difference
1 month %	5.3	5.8	-0.5
3 month %	1.5	1.5	0.0
1 year %	42.6	44.0	-1.4
2 years % pa	6.1	-0.5	+6.6
3 years % pa	1.0	-2.4	+3.4
4 years % pa	6.8	3.3	+3.5
5 years % pa	9.6	8.0	+1.6
7 years % pa	15.0	12.6	+2.4
10 years % pa	14.8	8.8	+6.0

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	8.1
4 RIO TINTO	6.7
3 TELSTRA	6.3
5 WOOLWORTHS	5.4
SMALLER COMPANIES	15.1
OTHER STOCKS	46.3
CASH	3.6
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 31.03.10	\$1.4301
Unit price (application) as at 31.03.10	\$1.4416
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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