



Funds Management

Celeste Australian Equity Fund

Monthly update 29 February 2012

Fund Performance

The Fund was up 3.4% in February, with its benchmark, the ASX All Ordinaries Accumulation Index up 2.4%.

Equity markets elsewhere again mostly rose in February with the NASDAQ up 6.2% the S&P 500 up 4.6%, the DAX up 6.2%, the Nikkei up a strong 10.5%, and the FTSE up 3.3%.

In the past year the Fund is down -6.2%, net of all fees, compared to a 6.7% decline for the S&P/ASX All Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 12.9% pa, against to the Index's 7.9% pa.

Portfolio Commentary

Insurance Australia Group rose 13.8% after delivering a 1h 2012 \$271m insurance profit. The result was down 42% on last year, impacted by record net natural disaster claims of \$396m. These costs were compared to \$134m for 1h11. While the insurance profit for the full year is likely to fall at the lower end of the 10% to 12% range, the market liked the medium term guidance on premiums. Gross written premium is expected to increase by 8% - 10% driven by strong increases in prices. This bodes well for profit growth over the next few years as natural disaster claims fall to more normal levels.

Woodside Petroleum rose by 10.4% over the month, following an 11.7% rise in January. Full year 2011 underlying profit rose to \$1.7bn, up 16% from \$1.4bn in 2010. Production was down 11% versus last year however a higher oil price lifted revenues by 14% to \$4.8bn. The balance sheet remains strong with \$2.2bn of cash and undrawn funding lines. In 2012 production is forecast to increase from 65m barrels of oil equivalent to between 73-81m which includes 17-21m from the Pluto LNG project commencing from March 2012.

QBE Insurance rose 1.7% after reporting a 45% decline in profit to \$704m. QBE was hit with an unprecedented level of natural disasters in 2011. Profit is expected to rebound in 2012 as premium rate increases lift revenue and costs fall as the number of natural disasters revert to more normal levels.

Portfolio Top 5 Holdings

Stock	% of Fund
1 COMMONWEALTH BANK OF AUSTRALIA	10.3
2 ANZ BANKING GROUP	9.6
3 RIO TINTO	9.3
4 TELSTRA	7.7
5 BHP BILLITON	7.0

Monthly Commentary

The appetite for risk assets improved substantially over the 29 days of February.

Investors grew increasingly confident that Eurozone risk was diminishing, in effect being actively quarantined by the ECB via LTRO programs.

In the US fears of a double dip recession appear to be evaporating as a tentative, anaemic economic recovery takes root.

The PBOC appear sensitive to the possibility of a hard landing in China with a preparedness to tweak reserve requirement and improve systemic liquidity, should the economic backdrop require stimulus.

Evidence of the 2 speed domestic economy was pronounced in interim reporting season 2012. Corporates with little or no resource sector exposure see the domestic sales environment as lacklustre, that cost pressures are ever present and that trading terms are increasingly challenging. For corporates with resource sector exposure revenues are buoyant, labour shortages remain an issue, as does the ability to deliver skills and services to budget and on time.

Whilst we continue to see attractive investment opportunities in the market we are sensitive to the 7.8% appreciation in the All Ords since January 1st.

A period of consolidation may be likely in the short term and we will look to add to portfolio positions in a process consistent manner, should compelling valuations emerge.

Performance Statistics (Net of fees)

	Celeste Australian Equity Fund	ASX All Ord Acc Index	Performance
1 month %	+3.4	+2.4	+1.0
3 month %	+7.0	+6.1	+0.9
1 year %	-6.2	-6.7	+0.5
3 years % pa	+13.8	+14.8	-1.0
5 years % pa	+0.3	-1.4	+1.7
10 years % pa	+10.0	+7.1	+2.9

Past performance is not necessarily indicative of future returns.

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 09	1.05	0.8
June 10	4.66	4.1
June 11	8.41	6.6

*CPU/unit price at beginning of period.

Fund Information

Unit price (redemption) as at 29.02.12	\$1.2347
Unit price (application) as at 29.02.12	\$1.2447
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%
Performance fee**	20% of return above benchmark
OGFM***	0.95% p.a.

* 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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