

CELESTE

Funds Management

Celeste Australian Small Companies Fund

Monthly update 30 June 2010

Fund Performance

In June the Fund was down 2.1% while the ASX Small Ordinaries Accumulation Index benchmark was down 3.7%.

In June again all major markets were down. The US S&P Index was down 5.4% and the NASDAQ down 6.6%. The UK FTSE was down 5.2% while the Nikkei was down 4.0%.

In the past year the Fund increased by 31.2%, net of all fees, compared to a rise of 11.2% for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 17.9%pa versus a return of 6.0%pa for the Index.

Portfolio Highlights

ASG Group was up 13.8% announcing a \$30m acquisition in the strongly contested Business Intelligence space, a \$20m contract win for 5 yrs plus two 1yr extension options with Vodafone Hutchinson, and a \$784m qualified tender pipeline. **Fleetwood Corporation** (5.0%) rose on reports that particularly its caravan operations were experiencing improved demand. **Count Financial** (4.5%) provided a shareholder update further highlighting the potential value of its CountPlus business - an aggregator of unlisted accountancy practices - that it intends to list on the ASX in late 2010.

NoniB (-17.6%) announced an expectation for a significantly improved result on financial year 2009, but implying a smaller second half contribution, partly due to aggressive discounting by other retailers. **Coffey International** (-16.5%) provided a further business update reconfirming its April guidance but also highlighting further cost reduction measures that will see \$12m to \$15m in cost savings in financial year 2011. **Skilled Group** (-14.2%) drifted lower, despite providing positive outlook commentary and noting early signs of a tightening in the labour market. **STW Communications** (-3.2%) reconfirmed double digit NPAT growth guidance on the last day of the month and highlighted its strong capital position.

Portfolio Activity

In June the Fund exited its **Ausenco** holding. Positions in **Austereo**, **Reece Australia**, **The Mac Services Group** and **GWA International** were added to, while the holding in **Resmed** was trimmed. Cash at month end amounted to 0.1%.

Market Comments

The Australian market traded in a narrow range, closing June at its month low. Concerns emanated from Europe on the fiscal position of the EU's most challenged members whilst anxiety intensified on the sustainability of Chinese growth. Whilst the Resources Super Profits Tax grabbed the media headlines, resources outperformed industrial stocks as speculation grew that a compromise between the government and the minerals industry would be achieved. The ascension of Julia Gillard to prime ministership highlighted the political imperative for resolving the impasse.

Going into the financial year end reporting period, the portfolio is somewhat defensively positioned. Whilst valuations are not stretched, we believe an element of caution is warranted in an environment where FY11 earnings downgrades are more likely to outnumber upgrades.

Performance Statistics (Net of fees)

	Celeste Australian Small Co. Fund	ASX Small Ord Acc Index	Difference	ASX Small Ind Acc Index	ASX Small Res Acc Index
1 month %	-2.1	-3.7	+1.6	-5.0	-1.4
3 month %	-9.8	-11.6	+1.8	-12.8	-9.3
1 year %	+31.2	+11.2	+20.0	+10.3	+12.8
2 years % pa	+9.6	-10.9	+20.5	-7.0	-15.0
3 years % pa	-5.9	-14.2	+8.3	-18.1	-4.6
4 years % pa	+6.4	-2.3	+8.7	-6.7	+9.2
5 years % pa	+8.2	+2.7	+5.5	-1.8	+15.7
7 years % pa	+14.3	+9.2	+5.1	+5.0	+22.4
10 years % pa	+13.5	+6.2	+7.3	+2.9	+18.2

Past performance is not necessarily indicative of future returns.

Portfolio Structure (Top 5 holdings)

Stock	% of Fund
1 ASG GROUP	6.2
2 ARB CORPORATION	6.1
3 IOOF HOLDINGS	5.7
4 REECE AUSTRALIA	5.6
5 SALMAT	5.0
OTHER STOCKS	71.3
CASH	0.1
TOTAL	100%

Fund at a Glance

Celeste Australian Small Companies Fund

- **Primary Investments** Shares in listed Australian smaller companies
- **Investment objective** Small Ordinaries Accumulation Index + 5% p.a. over rolling 3 years
- **Investor time horizon** Minimum 4 years

Distribution History

Total distribution for the year ended	Cents Per Unit	Annual Yield %*
June 08	38.82	9.8
June 09	10.06	4.2
June 10	18.70	8.9

*CPU/unit price at beginning of period.

Fund Information

Unit price (redemption) as at 30.06.10 ex-distribution	\$2.5638
Unit price (application) as at 30.06.10 ex-distribution	\$2.5844
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 S&P/ASX Small 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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