



## Souls Australian Equity Fund

### Monthly update 30 September 2009

#### Fund Performance

The Fund was up 6.0% in September, roughly in line with its benchmark, the S&P/ASX All Ordinaries Accumulation Index, which rose 6.1%.

Most International markets continued to rally in September. The US S&P Index increased 3.6% and NASDAQ was up a strong 5.6%. The UK FTSE delivered 4.6%, while the Nikkei bucked the trend and was down 3.4%.

For the year the Fund rose by 14.0% compared to a 7.4% increase for the S&P/ASX All Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is 15.9%pa versus a return of 9.5%pa for the Index.

#### Portfolio Highlights

**ANZ Banking Group** was up 14.6%, as banking stocks generally outperformed the market and it acquired the remaining 51% of ING. **Commonwealth Bank of Australia** rose 12.5%, on the back of a well subscribed capital raising via the issue of PERL securities. **Computershare** was up 10.4% as investors become attracted once more to its high cash generative nature, especially in more buoyant equity market conditions. **Westfield Group** (9.8%) rose on no apparent news flow. **National Australia Bank** was up 8.0%, announcing both a USA based acquisition and a Tier 1 hybrid capital raising. **Fletcher Building** (7.9%) benefitted from a broader shift into cyclical stocks. **Westpac Banking Corporation** (7.7%) was yet another banking stock that was marked up during the month. **Nufarm** (6.0%) rose on the announcement of a Heads of Agreement for a take over by China's Sinochem. Other stocks that performed well included **GWA International** (5.8%), **Insurance Australia Group** (5.6%) and **Rio Tinto** (5.6%)

**Resmed** was down 4.6% on concerns about negative implications for the stock from USA health reform proposals. **Primary Health Care** (-1.9%) surprised the market with a second capital raising and further sell down of shares by Managing Director Dr Bateman.

#### Portfolio Activity

The fund established positions in **Brambles** and **IOOF Holdings** and exited its position in **Reece**. Positions in **Westfield Group** and **QBE Insurance** were trimmed to fund acquisitions. Cash at month end amounted to 0.4%.

#### Market Comments

The Australian market has rallied by over 50% since its lows in early March. The recapitalization phase of the market cycle appears close to an end with \$1.5b raised during the month. Investors have been prepared to support deeply discounted capital raisings as the refinancing risk is mitigated and attention switches to the trajectory of the earnings recovery.

With eps growth negligible in FY10 due to the impact of capital raisings the market PE at 17x is anticipating a sharp earnings recovery in FY11. Financial analysts are suggesting approximately 30% eps growth is achievable – a forecast that presumes a recovery that is durable and at the top end of prior cycles. Heading into the final quarter, investors will increasingly focus on interest rates and the currency as potential impediments to the economic recovery.

After seven consecutive months of positive returns for Australian equity investors, the margin for error has considerably diminished.

#### Performance Statistics (Net of fees)

	Souls Australian Equity Fund	All Ordinaries Accum. Index	Difference
1 month %	6.0	6.1	-0.1
3 month %	22.1	21.6	0.5
1 year %	14.0	7.4	6.6
2 years % pa	-4.8	-11.2	6.4
3 years % pa	6.7	1.7	5.0
4 years % pa	9.0	5.2	3.8
5 years % pa	12.9	9.7	3.2

Past performance is not necessarily indicative of future returns.

#### Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 COMMONWEALTH BANK OF AUSTRALIA	7.7
2 WESTPAC BANKING CORPORATION	6.7
3 NATIONAL AUSTRALIA BANK	6.6
4 WOOLWORTHS	5.9
5 TELSTRA	5.8
6 QBE INSURANCE	5.1
7 RIO TINTO	5.0
8 WESTFIELD GROUP	4.8
9 WESFARMERS	4.5
10 BHP	3.7
SMALLER COMPANIES	9.0
OTHER STOCKS	34.8
CASH	0.4
TOTAL	100.0

## Fund at a Glance

### Souls 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

<b>Unit price (redemption) as at 30.09.09</b>	\$1.3804
<b>Unit price (application) as at 30.09.09</b>	\$1.3916
<b>Minimum investment</b>	\$25,000
<b>Minimum additional investment</b>	\$1,000
<b>Minimum balance</b>	\$15,000
<b>Minimum investment: monthly investment plan</b>	\$500
<b>Redemption will generally be available in</b>	7 days
<b>Distributions</b>	30 June and 31 December
<b>Entry fee*</b>	0%
<b>Exit fee*</b>	0%
<b>Buy/Sell differential*</b>	0.40%
<b>Management fee*</b>	0.70% p.a.
<b>Performance fee**</b>	20% of return above benchmark
<b>OGFM***</b>	0.70% 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 0.70% p.a. for the duration of the PDS.

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