



Souls Australian Equity Fund *

* Changes at Souls Funds Management

In November 2009 the shareholding structure of Souls Funds Management altered with the business now owned 59% by investment staff and 39% by the ASX listed Treasury Group. Our analytical process remains unchanged, as does our desire to generate above benchmark returns for conservative investors with a patient disposition. We also advise that the business has changed its name to Celeste Funds Management. In early 2010 your fund will be renamed the Celeste Australian Equity Fund, pending ASIC approval.

Monthly update 31 December 2009

Fund Performance

The Fund was up 3.2% in December, compared to its benchmark, the S&P/ASX All Ordinaries Accumulation Index, which was up 3.7%.

The US S&P Index was up 1.8% and the NASDAQ up 5.8%. The UK FTSE was up 4.3% while the Nikkei was up a strong 12.9%, following a weaker performance in November.

For the year the Fund rose by 37.1% compared to a 39.6% 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 9.6%pa for the Index.

Portfolio Highlights

QBE Insurance was up a strong 15.1%, which might have been assisted by the weaker Australian currency. **Adelaide Brighton** (10.4%) made up for its previous month's fall and rose on the back of the disappointing Copenhagen climate change conference outcome, which failed to set binding CO₂ reduction targets. **Computershare** was up 7.1%, with talk of it taking over a Russian share registry business. **Westpac Banking Corporation** was up 4.8% following positive AGM commentary, indicating that impairment charges have peaked, and momentum remains strong across all businesses. **IOOF Holdings** (4.7%) continued to perform well following positive November AGM commentary. **Rio Tinto** (4.5%) and **BHP** (4.4%) both benefitted from firmer metal prices and improving fundamentals for the bulk commodities.

National Australia Bank was down 4.3% as it entered the takeover tussle for AXA Asia Pacific with a cash or cash and scrip offer slightly above AMP's cash and scrip only offer. **Foster's Group** (-2.1%) blamed unfavourable currency movements and a soft USA wine market for an earnings warning during the month. **Myer** (-1.6%) was affected by concerns about softer Christmas trading prospects, in the wake of interest rate rises and the level of discounting on display.

Market Comments

2009 ended strongly with 30% + rise in the ASX 300. The performance of the Australian economy in 2009 surprised most pundits, in part due to swift and substantial Government Fiscal stimulus, and in no small part due to China's continued hunger for resources. The performance of the Chinese

economic juggernaut in 2010 remains a major issue, specifically whether recent performance is due to decoupling, or a more transient effect due to a multitude of Chinese stimulus packages. In 2010 our focus will continue to be on identifying companies that have robust business models, that can perform well irrespective of where we are on the economic cycle, which have acceptable account quality and that are managed by people with a track record of integrity and shareholder wealth creation.

Performance Statistics (Net of fees)

	Souls Australian Equity Fund	All Ordinaries Accum. Index	Difference
1 month %	3.2	3.7	-0.5
3 month %	2.9	3.7	-0.8
1 year %	37.1	39.6	-2.5
2 years % pa	-3.7	-8.8	5.1
3 years % pa	2.9	-0.6	3.5
4 years % pa	8.8	5.2	3.6
5 years % pa	10.8	8.2	2.6
7 years % pa	15.0	11.9	3.1
10 years % pa	14.1	8.8	5.3

Past performance is not necessarily indicative of future returns.

Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 COMMONWEALTH BANK OF AUSTRALIA	8.2
2 WESTPAC BANKING CORPORATION	6.5
3 RIO TINTO	6.3
4 TELSTRA	6.0
5 NATIONAL AUSTRALIA BANK	5.9
6 WOOLWORTHS	5.4
7 QBE INSURANCE	4.3
8 WESTFIELD GROUP	4.1
9 BHP BILLITON	3.9
10 FOSTER'S GROUP	3.8
SMALLER COMPANIES	9.4
OTHER STOCKS	34.0
CASH	2.2
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

Unit price (redemption) as at 31.12.09 (ex dist 1.10 cpu)	1.4096
Unit price (application) as at 31.12.09 (ex dist 1.10 cpu)	1.4210
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*	0.70% p.a.
Performance fee**	20% of return above benchmark
OGFM***	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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