



## Souls Australian Small Companies 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 Small Companies Fund, pending ASIC approval.

### Monthly update 31 December 2009

#### Fund Performance

In December the Fund returned 1.3%, against an ASX Small Ordinaries Accumulation Index benchmark return of 4.3%. 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.

In the past year the Fund increased by 59.9% compared to a rise of 57.4% for the S&P/ASX Small Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is 19.3%pa versus a return of 7.6%pa for the Index.

#### Portfolio Highlights

**GWA International** was up 13.5% on improved housing sector sentiment whilst **Salmat** rose 12.0% and **Monadelphous** rose 10.9%. **Reckon** was up 10.9%, with stronger ASIC business formation numbers boosting sentiment in the stock. **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 CO<sub>2</sub> reduction targets. **NoniB** rose 8.3% as it provided a positive market update, guiding to a first half result around 40% above the corresponding result from last year. **Fleetwood** (7.5%) benefitted from positive sentiment for the resource sector to which its Manufactured Accommodation division is exposed. **Campbell Brothers** rose 7.4% as it announced its takeover for PearlStreet was unconditional and it would move to compulsory acquisition.

**Breville Group** was down 22.2% following the unexpected ACCC rejection of the GUD takeover offer. **Skilled Group** (-15.6%) issued a market update in early December which guided to a below consensus 1<sup>st</sup> half result, despite a progressively improving performance on a month by month basis between July to October.

### Market Comments

2009 ended strongly with 30% + rise in the ASX 300. From its low point in Q1 the Small Ords rose almost 90% in 2009. 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, as illustrated by an 88% increase in the ASX Small Resources Accumulation Index. 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 Small Co. Fund	ASX Small Ord Acc Index	Difference	ASX Small Ind Acc Index	ASX Small Res Acc Index
1 month %	1.3	4.3	-3.0	4.3	4.3
3 month %	5.4	4.9	0.5	1.9	10.8
1 year %	59.9	57.4	2.5	44.9	88.3
2 years % pa	-7.1	-14.1	7.0	-17.2	-7.2
3 years % pa	1.7	-4.8	6.5	-9.6	8.0
4 years % pa	9.1	3.7	5.4	-1.6	19.2
5 years % pa	7.3	6.7	0.6	1.7	22.5
7 years % pa	16.5	12.8	3.7	8.9	24.8
10 years % pa	14.3	6.2	8.1	3.0	18.7

Past performance is not necessarily indicative of future returns.

### Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 DATA #3	4.7%
2 GWA INTERNATIONAL	4.7%
3 SALMAT	4.7%
4 ARB CORPORATION	4.5%
5 REECE AUSTRALIA	4.4%
6 SMS MANAGEMENT & TECHNOLOGY	4.3%
7 ASG GROUP	4.1%
8 AUSTBROKER HOLDINGS	4.1%
9 SKILLED GROUP	3.9%
10 SUPER CHEAP AUTO	3.6%
OTHER STOCKS	54.7%
CASH	2.3%
TOTAL	100%

## Fund at a Glance

### Souls Australian Small Companies Fund

- **Primary Investments** Shares in listed Australian smaller companies
- **Investment objective** Small Ordinaries Acc Index + 3% 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 07	34.32	12.2
June 08	38.82	9.8
June 09	10.06	4.2

\*CPU/unit price at beginning of period.

### Fund Information

Unit price (redemption) as at 31.12.09 (ex dist 5.50 cpu)	\$2.8621
Unit price (application) as at 31.12.09 (ex dist 5.50 cpu)	\$2.8852
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 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 0.70% p.a. for the duration of the PDS.

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