

# CELESTE

## Funds Management

### Celeste Australian Small Companies Fund

#### Monthly update 31 January 2010

##### Fund Performance

In January the Fund returned -1.9%, against an ASX Small Ordinaries Accumulation Index benchmark return of -7.4%.

The US S&P Index was down 2.7% and the NASDAQ down 4.0%. The UK FTSE was down 4.9% while the Nikkei fell 1.3%.

In the past year the Fund increased by 68.8%, net of all fees, compared to a rise of 52.9% for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 19.0%pa versus a return of 6.8%pa for the Index.

##### Portfolio Highlights

**ASG Group** was up 14.9% announcing a \$23m contract win with the WA Department of Education. **Treasury Group** rose 8.4%, announcing a 11.5% increase in FUM for the December quarter. **WHG Group** (7.9%) rose on no news. **Data#3** rose 7.6% pre-announcing its first half result, with profit before tax up 16% on the previous corresponding period. **Reckon** was up another 7.1%, following its strong rise in December. **BSA** (7.0%) pre-announced its result, confirming that it is on track to meet expectations of a full year result in line with last year. **SMS Management & Technology** (6.2%), **Count Financial** (4.2%) and **STW Communications** (4.0%) all rose on no news flow.

**Ausenco** was down 11.2% despite announcing further contract wins towards the end of the month. **Super Cheap Auto Group** (-11.1%) pre-announced its result, which saw greater than expected losses from its new GoldCross bicycle division. **Monadelphous** (-10.3%) gave up some of its December gains, as sentiment in the resource sector was poor in January. **Adelaide Brighton** was down 10.2%, also giving up some of its December gains. **NoniB** (-7.7%) was down after rising strongly in December when it pre-announced its result. **Salmat** was down 6.4% on no news flow.

##### Portfolio Activity

In January the Fund added to positions in **IOOF Holdings**, **Coffey International**, **ASG Group**, **Mac Services**, and **NIB Holdings**. Acquisitions were funded by trimming a number of positions across the portfolio. Cash at month end amounted to some 2.6%

##### Market Comments

The market performed poorly in January 2010. Given the rise of the ASX Small Ordinaries Index in 2009 some moderation in performance was inevitable, with volatility likely to remain a constant in the coming months. In the short term the market need come to grips with the interim reporting season, in a macro environment where domestic economic stimulus is in decline, and where global growth assumptions are increasingly being brought into question. We expect that the global economic backdrop will remain quite clouded in the short term, and that growth assumptions are likely to be wound back meaningfully over the next few months. For Australian investors the listed corporate sector is generally in good shape, with balance sheets well capitalised, and post GFC cost structures pruned and leveraged to revenue growth. Whilst we remain cautious in the short term we expect that attractive opportunities will continue to emerge over the course of 2010.

##### 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 %	-1.9	-7.4	+5.5	-5.4	-11.1
3 month %	0.7	-1.8	+2.5	-2.4	-0.5
1 year %	68.8	52.9	+15.9	44.8	72.3
2 years % pa	-0.2	-10.7	+10.5	-12.2	-7.2
3 years % pa	-1.3	-7.8	+6.5	-12.2	4.5
4 years % pa	8.1	0.8	+7.3	-3.1	11.7
5 years % pa	6.5	4.2	+2.3	-0.3	18.1
7 years % pa	16.2	11.3	+4.9	7.8	22.0
10 years % pa	14.6	6.1	+8.5	3.0	18.4

Past performance is not necessarily indicative of future returns.

##### Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 DATA#3	5.0%
2 ASG GROUP	4.9%
3 IOOF HOLDINGS	4.8%
4 ARB CORPORATION	4.5%
5 SALMAT	4.3%
6 REECE AUSTRALIA	4.3%
7 SMS MANAGEMENT & TECHNOLOGY	4.2%
8 GWA INTERNATIONAL	4.0%
9 SKILLED GROUP	3.8%
10 AUSTBROKER HOLDINGS	3.8%
OTHER STOCKS	53.8%
CASH	2.6%
TOTAL	100%

## Fund at a Glance

### Celeste Australian Small Companies Fund

- **Primary Investments** Shares in listed Australian smaller companies
- **Investment objective** Small Ordinaries Acc 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 %*
<b>June 07</b>	34.32	12.2
<b>June 08</b>	38.82	9.8
<b>June 09</b>	10.06	4.2

\*CPU/unit price at beginning of period.

### Fund Information

<b>Unit price (redemption) as at 31.01.10</b>	\$2.8078
<b>Unit price (application) as at 31.01.10</b>	\$2.8305
<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>	currently 0.7% with a move to 0.95% effective 1 March 2010
<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 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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