

CELESTE

Funds Management

Celeste Australian Small Companies Fund

Monthly update 30 April 2010

Fund Performance

In April both the Fund and the ASX Small Ordinaries Accumulation Index benchmark delivered flat performance.

The US S&P Index was up 1.5% and the NASDAQ 2.6%. The UK FTSE was down 2.2% while the Nikkei was down 0.3%, following a strong March.

In the past year the Fund increased by 52.4%, net of all fees, compared to a rise of 39.3% for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 19.2%pa versus a return of 7.2%pa for the Index.

Portfolio Highlights

Breville Group was up 15.4% continuing its strong March performance. **Adelaide Brighton** rose 13.6% as it highlighted an on-going Board renewal process. **Ausenco** (11.4%) rose strongly earlier in the month. **CPI Group** rose 8.2%, pointing to meaningful cost savings over the next two years from a warehouse consolidation program. **ARB Corporation** was up 8.1% with the re-rating of FY 2010 continuing in the month. **Plan B Group** rose 7.6%, as it reported its end of March Funds under Management, Administration and/ or Advice. **Salmat** (7.5%) and **Talent2** (6.4%) rose as confidence in their earnings recoveries continued to grow. **APN News & Media** (6.1%) provided upbeat commentary at its AGM, pointing to an on-going recovery in the advertising market.

Coffey International (-29.5%) issued a profit downgrade due to project delays, with the company holding on to staff with the expectation of a recovery manifesting over the short term.

Skilled Group was down 14.2% as it announced a profit downgrade, strategic review, and management change. **BSA** (-10.6%) continued to drift lower and also signalled a management change at the end of the month. **Lycopodium** (-10.5%) and **Thomas & Coffey** (-10.0%) were both down on no news.

Portfolio Activity

In April the Fund added **Sunland Group** and **Talent2** as new portfolio positions. Holdings in **Super Cheap Auto Group**, **Resmed**, **Specialty Fashion House**, and **STW Communications** were added to, while profits were taken in **Monadelphous Group Limited**. Cash at month end amounted to 2.3%.

Market Comments

Despite relative normality gradually returning to the economy caution continues to characterise the equity investor mind set. There are signs of a "hovering pen syndrome" - as one chief executive describes the hesitation of clients to sign contracts and get started on work.

With May being the traditional pre June 30th confession season, the coming month will provide insight into the state of the domestic economy, and especially which sectors will feel the withdrawal of government stimulus most keenly, and which are already back to operating under high demand for their products and services - and even in some instances experiencing skills shortages.

In April sovereign debt issues spooked markets and this comes at a time when investor confidence is still fragile. We suspect that sovereign debt concerns will continue to engulf the economic landscape in the medium term and that the issue of China growth is also likely to re-emerge as an issue in the short term. In the face of these externalities, we remain committed to our investment process which helps us identify undervalued businesses - defined by durable business models, conservative account quality, and management with a track record of shareholder wealth creation.

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 % | 0.0 | 0.0 | 0.0 | -0.2 | 0.5 |
| 3 month % | 6.4 | 6.4 | 0.0 | 4.1 | 10.8 |
| 1 year % | 52.4 | 39.3 | +13.1 | 35.4 | 45.7 |
| 2 years % pa | 7.1 | -9.0 | +16.1 | -8.5 | -8.8 |
| 3 years % pa | -0.5 | -9.0 | +8.5 | -13.1 | 1.6 |
| 4 years % pa | 7.6 | 0.0 | +7.6 | -4.0 | 10.7 |
| 5 years % pa | 10.9 | 7.2 | +3.7 | 2.5 | 20.5 |
| 7 years % pa | 16.6 | 12.1 | +4.5 | 8.0 | 24.9 |
| 10 years % pa | 15.1 | 7.9 | +7.2 | 4.6 | 21.0 |

Past performance is not necessarily indicative of future returns.

Portfolio Structure (Top 5 holdings)

| Stock | % of Fund |
|-------------------|-----------|
| 1 RESMED | 5.5 |
| 2 IOOF HOLDINGS | 5.3 |
| 3 ARB CORPORATION | 4.8 |
| 4 ASG GROUP | 4.8 |
| 5 SALMAT | 4.6 |
| OTHER STOCKS | 72.7 |
| CASH | 2.3 |
| 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 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 30.04.10 | \$2.9886 |
| Unit price (application) as at 30.04.10 | \$3.0127 |
| 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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