

CELESTE

Funds Management

Celeste Australian Small Companies Fund

Monthly update 30 November 2010

Fund Performance

In November the Fund was flat while the ASX Small Ordinaries Accumulation Index benchmark was up 0.5%.

In November the performance of major global markets was mixed. The US S&P Index was down 0.2%, the NASDAQ fell 0.4% and the UK FTSE also declined 2.6%. In contrast the Nikkei was up 8.0% following last month's underperformance.

In the past year the Fund increased by 11.4%, net of all fees, compared to a rise of 10.1% for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 18.7% pa versus a return of 7.5% pa for the Index.

Portfolio Highlights

BSA was up 21.6% on no company specific news. We suspect that some of the markets enthusiasm for BSA is due to it being a potential beneficiary of the NBN roll-out, which in November inched closer to becoming a reality.

Skilled Group was up 20.4% as the new CEO Mick McMahon announced the withdrawal of WA based Swan Contract Personnel from a previously announced sale process. **Data#3** rose 13.8% on guiding to a strong first half result that is expected to see profit before tax up 50% to 60% on the previous corresponding period. **Platinum Asset Management** rose 5.8%, with AGM commentary on September quarter and October FUM growth remaining positive.

ASG Group was down 7.0% with the company raising \$10m to fund a new data centre, maintain balance sheet flexibility, and to facilitate management selling down some shares to exercise options. **Specialty Fashion Group** (-15.0%) and soon to be re-named **Super Cheap Auto Group** (-10.0%) were both lower, as the 2010 Melbourne Cup day interest rate rise further dampened sentiment towards the retail sector.

Market Comments

Sentiment in the domestic equity market ebbed and flowed markedly over the course of November.

The whipsaw in investor emotion moved between increasing confidence in FY 2011 global growth and European sovereign debt/banking sector concerns.

To further fan bearish sentiment by November month end investors also needed to weigh up Chinese inflation data with an October CPI increase of 4.4%, the fastest monthly growth for 25 months. It appears likely to us that over the next few months the People's Bank of China will move to address the inflation issue and that in 2011 investor focus will shift from Chinese economic growth rates to how the Chinese authorities decide to tame the inflation demon.

The minutes of the November Australian Reserve Bank monetary policy meeting highlight that Q3 inflationary pressures are modest, that credit growth is anaemic and that the appreciation in the Australian dollar has been sharp and appears sustained, given our terms of trade. Whilst the Reserve bank acknowledged significant short term uncertainty it was still considered that, "...a modest tightening of monetary policy was prudent". We suspect that given the ample prudence exhibited over the course of 2010 that further adjustment to monetary policy, specifically further rate increases, are unlikely during the first half of 2011.

We suspect that in the short term equity markets will remain very volatile, given a challenging global economic backdrop. We will look to opportunistically add to select positions in the coming months, consistent with our process, should valuations become sufficiently compelling.

Performance Statistics (Net of fees)

	Celeste Australian Small Co. Fund	ASX Small Ord Acc Index	Performance	ASX Small Ind Acc Index	ASX Small Res Acc Index
1 month %	+0.0	+0.5	-0.5	-1.4	+3.1
3 month %	+10.0	+13.3	-3.3	+6.6	+23.4
1 year %	+11.4	+10.1	+1.3	+1.6	+23.9
2 years % pa	+33.9	+31.6	+2.3	+20.0	+57.2
3 years % pa	-2.1	-8.8	+6.7	-13.8	+1.3
4 years % pa	+5.2	-1.3	+6.5	-7.0	+11.9
5 years % pa	+9.6	+4.4	+5.2	-1.6	+19.9
10 years % pa	+14.5	+8.3	+6.2	+4.4	+20.2

Past performance is not necessarily indicative of future returns.

Portfolio Top 5 Holdings

Stock	% of Fund
1 IOOF HOLDINGS	5.4
2 DULUXGROUP	4.6
3 SKILLED GROUP	4.4
4 SALMAT	4.4
5 MONADELPHOUS	4.2

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 %*
June 08	38.82	9.8
June 09	10.06	4.2
June 10	18.70	8.9

*CPU/unit price at beginning of period.

Fund Information

Unit price (redemption) as at 30.11.2010	\$2.9942
Unit price (application) as at 30.11.2010	\$3.0183
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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