

# CELESTE

## Funds Management

### Celeste Australian Small Companies Fund

#### Monthly update 31 January 2011

##### Fund Performance

In January the Fund was up 2.9% while the ASX Small Ordinaries Accumulation Index benchmark was down 2.2%.

Global equity markets put in a mixed performance in January with the US S&P Index up 2.3%, the NASDAQ up 1.8%, but the UK FTSE down 0.6% and the Nikkei virtually flat, up 0.1%.

In the past year the Fund increased in value by 20.4%, net of all fees, compared to a rise of 19.5% for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 19.1% pa versus a return of 7.8% pa for the Index.

##### Portfolio Highlights

**CPI Group** was up 50.8% after receiving a takeover offer at 45c per share from New Zealand based private equity vehicle, Maui Capital Limited. The takeover is subject to an ATO ruling, and shareholder approval of a scheme of arrangement, with the transaction scheduled to conclude during May.

**Austereo Group** was up 15.8% after it received a takeover offer from Southern Cross Media Group. The offer is for either cash of \$2.15, or scrip in Southern Cross Media Group.

**Thomas and Coffey** (13.6%) announced a capital raising and the appointment of a new Managing Director.

**Specialty Fashion Group** (13.5%) released first half profit guidance, noting like on like store sales were off 3.8%. Despite sales and earnings being well below the previous corresponding period the announcement was well received by the market, with an increasing belief that earnings for the company have bottomed and that Specialty Fashion House is well placed for a recovery in consumer spending.

**Breville Group** (8.6%) also released profit guidance for first half of FY 2011 with EBITDA expected of \$39m, up from \$32.5m, some 10% above market expectation.

**DuluxGroup** (-2.6%) announced the shut down of its Queensland Rocklea site due to the floods, as well as various mitigation strategies the company is undertaking to minimise customer supply disruption.

##### Market Comments

In January investors adopted a cautious demeanour, ahead of the FY 2011 interim reporting season. To further reinforce a domestic air of caution the financial impact of natural disasters on Australia's east coast is yet to be dimensioned, with recovery likely a multi year process.

The outworking of a changing political climate in North Africa is likely to have ramifications well beyond its geographic shores, with the primary cause of recent dissent inflationary in nature, rooted in escalating food prices.

Over the course of January central bankers around the world tapped the brake pedal with short term rates adjusted upwards in China, India, South Korea, Thailand and Brazil. We suspect that with inflationary pressures growing interest rates are also likely to rise in Indonesia and Vietnam in the short term. In a China context we expect that the authorities resolve on the issue of inflation will be redoubled post Lunar New Year, inevitably leading to some downward adjustment to China's economic growth rate.

Whilst we expect that the FY 2011 interim reporting season may lead to some modest downgrading of earnings expectations, we will look to add to portfolio exposures, in a process consistent manner, 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 %	+2.9	-2.2	+5.1	+0.4	-5.2
3 month %	+7.4	+5.3	+2.1	+3.8	+7.4
1 year %	+20.4	+19.5	+0.9	+8.5	+39.4
2 years % pa	+42.5	+35.1	+7.4	+25.3	+55.0
3 years % pa	+6.2	-1.6	+7.8	-5.8	+6.3
4 years % pa	+3.7	-1.6	+5.3	-7.4	+12.3
5 years % pa	+10.4	+4.3	+6.1	-0.9	+16.7
10 years % pa	+14.9	+8.6	+6.3	+4.8	+20.4

Past performance is not necessarily indicative of future returns.

##### Portfolio Top 5 Holdings

Stock	% of Fund
1 IOOF HOLDINGS	5.1
2 SALMAT	4.8
3 MONADELPHOUS	4.4
4 DULUXGROUP	4.2
5 SKILLED GROUP	3.9

## 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 %*
<b>June 08</b>	38.82	9.8
<b>June 09</b>	10.06	4.2
<b>June 10</b>	18.70	8.9

\*CPU/unit price at beginning of period.

### Fund Information

<b>Unit price (redemption) as at 31.01.2011</b>	\$3.1631
<b>Unit price (application) as at 31.01.2011</b>	\$3.1886
<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>	0.95%
<b>Performance fee**</b>	20% of return above benchmark
<b>OGFM***</b>	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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