

We have added a new section to the Celeste Website called “**What we Read, Watch & Listen to**”, covering a broad cross-section of topics of interest.

To access the page, you can click on the following link:
<http://www.celestefunds.com.au/Default.aspx?tabid=98>

Celeste Australian Small Companies Fund

Monthly update 31 July 2011

Fund Performance

In July the Fund was down 1.3% while the ASX Small Ordinaries Accumulation Index benchmark was up 1.4%.

Most major Global equity markets were down in July, except for the Nikkei, which was up modestly by 0.2%. The US S&P Index and UK FTSE were both down 2.2%, while the NASDAQ was down slightly by 0.6%.

In the past year the Fund increased in value by 13.4%, net of all fees, compared to a rise of 12.2% for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 17.8% pa versus a return of 6.9% pa for the Index.

Portfolio Highlights

Index was up 9.3%, announcing yet another acquisition. Brazil based System Mud is complementary to the company's existing drilling fluids and chemicals division and provides it with a stronger presence in Latin America. The \$9m acquisition is expected to be immediately earning per share accretive for financial year 2012.

Data#3 rose 3.0%, pre-announcing its result at the end of the month. The expected 38% increase in Profit Before Tax to \$21.8m sees the company once again exceeding consensus expectation. The company also announced winning re-seller awards from Sophos and Microsoft highlighting its technical know-how and close integration into product vendor operations and business processes.

G.U.D. Holdings (-6.8%) was one of the first companies to report its financial year 2011 result. With Dexion restructuring now complete, this business is expected to deliver significant margin improvement in financial year 2012. While contributions from the Consumer division held up well given soft consumer sentiment, water products saw a drop in demand driven by poor weather conditions.

Portfolio Top 5 Holdings

| Stock | % of Fund |
|------------------------|-----------|
| 1 SKILLED GROUP | 5.2 |
| 2 AUSTBROKERS HOLDINGS | 4.4 |
| 3 DULUXGROUP | 4.3 |
| 4 BREVILLE GROUP | 4.0 |
| 5 IOOF HOLDINGS | 3.9 |

Market Comments

Over July the market suffered a headwind of negative economic news on EU & US sovereign debt issues. The bulk of global Indices were down during the month.

EU leaders agreed to a Greek bail out plan, the cornerstone being the €109bn new funding package. Bondholders will be encouraged to remain invested in Greek paper for up to 30 years in order to avoid a pecuniary 20% reduction of their current holdings. The EU plan will extend until 'financial markets will support' Greece. The EU 'bail out fund' has increased the scope of its mandate to offer 'precautionary credit' to any country or bank in Europe. This move is driven by the EU Central Bank stress tests which found that 40% of European banks across 21 countries fell below the minimum capital requirements. The €27bn recapitalisation program seems to understate the weakening sovereign situation.

The political debate in the US over the increase in the debt ceiling pushed the country to the brink of default. Political posturing raised market concerns that the \$14.3 trillion US debt balance would suffer a credit downgrade. New economic data suggested that US economic growth in 2q was 1.3%, much lower than expectations of 1.9%. 1q US GDP growth was also revised downward from 1.9% to 0.4%. Budget fiscal expectations of US economic growth of around 3-4% look set to be disappointed. Weak growth is unlikely to see any corporate desire to add to staffing levels suggesting the US unemployment rate will remain stubbornly high into 2012.

China's economic growth continued to slow with the PMI Index hitting a 28 month low in July. 2q GDP growth was 9.5%, down from 9.7% in 1q, while inflation remained high at 5.4%. Export heavy Asian peers also highlighted weakening GDP growth, a knock on from weaker EU & US economies. South Korea 2q GDP growth declined from a 4.2% run rate to 3.4%, while Singapore collapsed from 9.3% to a meagre 0.5% growth in 2q.

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 % | -1.3 | +1.4 | -2.7 | -1.8 | +6.3 |
| 3 month % | -6.0 | -5.6 | -0.4 | -5.4 | -5.8 |
| 1 year % | +13.4 | +12.2 | +1.2 | +8.4 | +18.3 |
| 2 years % pa | +18.9 | +9.7 | +9.2 | +7.9 | +12.4 |
| 3 years % pa | +13.5 | -0.3 | +13.8 | -1.4 | +2.8 |
| 5 years % pa | +8.5 | +1.6 | +6.9 | -2.7 | +11.9 |
| 10 years % pa | +14.1 | +8.8 | +5.3 | +5.2 | +19.9 |

Past performance is not necessarily indicative of future returns.

Fund at a Glance

Fund Information

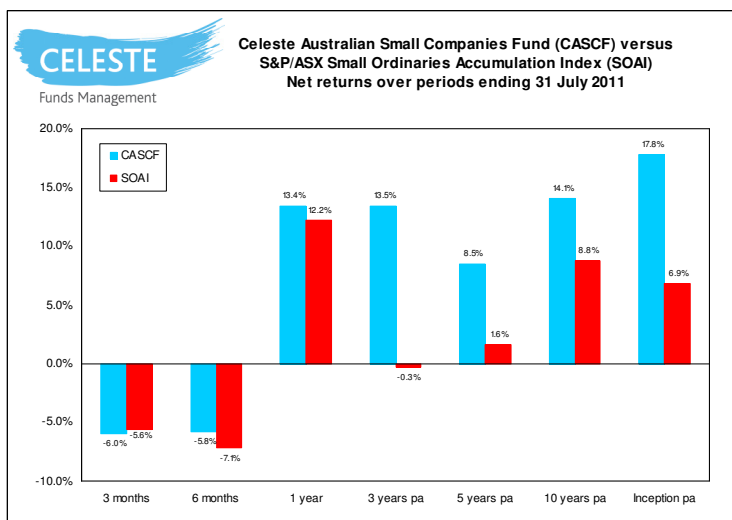
| | |
|----------------------------------------------------|-----------------------------------------------------------|
| Primary Investments | Shares in listed Australian smaller companies |
| Investment objective | Small Ordinaries Acc Index + 5% p.a. over rolling 3 years |
| Unit price (redemption) as at 31.07.2011 | \$2.9115 |
| Unit price (application) as at 31.07.2011 | \$2.9350 |
| Fund Size as at 31.07.2011 | \$110.2 |
| 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.

Fund Returns



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Distribution History

| Total distribution year ended | Cents Per Unit | Annual Yield %* |
|-------------------------------|----------------|-----------------|
| June 99 | 3.07 | 2.9 |
| June 00 | 17.37 | 11.3 |
| June 01 | 13.88 | 7.8 |
| June 02 | 27.17 | 14.2 |
| June 03 | 7.01 | 3.9 |
| June 04 | 21.71 | 11.2 |
| June 05 | 49.48 | 19.5 |
| June 06 | 18.88 | 7.3 |
| June 07 | 34.32 | 12.3 |
| June 08 | 38.82 | 9.9 |
| June 09 | 10.06 | 4.2 |
| June 10 | 18.70 | 8.9 |
| June 11 | 11.89 | 4.6 |

*CPU/unit price at beginning of period.

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