



Funds Management

## Celeste Australian Small Companies Fund

Monthly update 30 September 2011

### Fund Performance

In September the Fund fell 5.8%, with its benchmark, the ASX Small Ordinaries Accumulation Index down 10.6%.

In September equity markets around the world fell heavily with the US S&P 500 Index off 7.2%, the NASDAQ down 6.4%, the German DAX and UK FTSE down 4.9%, and the HK Hang Seng Index down 14.3%

In the past year the Fund is down 3.6%, net of all fees, compared to a 12.1% decline for the S&P/ASX Small Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is 16.8% pa, against to the Index's 5.7% pa.

### Portfolio Highlights

Listed property developer **Sunland Group** continued its recent positive performance and rose 18.6% during September. Sunland Group is an established property developer with a long operating history, successfully dealing with the ebbs and flows of the property cycle. We remain attracted to Sunland Group noting an NTA of \$1.49, against a last sale price of \$0.76, a balance sheet with modest gearing, a liquefiable property inventory position and, critically, access to significant lines of undrawn credit.

Very recently established portfolio exposure, **Nufarm Limited**, garnered some market attention and rose 11.7% over the month. Nufarm is a global manufacturer and distributor of agricultural chemicals with a growing presence in the areas of insecticides, fungicides, herbicides and seeds. We expect that the repositioning of Nufarm from its glyphosate sector roots and the broadening of its product offering will lead to further market rerating of the company in the medium term.

**Fleetwood Corporation** rose 4.1% over the month and announced a major contract with BHP Iron Ore. From November 2011 to late 2016 Fleetwood will manufacture and supply transportable housing for a number of BHP's expansion projects across the Pilbara region of Western Australia.

### Portfolio Top 5 Holdings

Stock	% of Fund
1 SKILLED GROUP	4.6
2 DULUXGROUP	4.4
3 AUSTBROKERS HOLDINGS	4.2
4 BREVILLE GROUP	4.1
5 PLATINUM ASSET MANAGEMENT	3.9

### Market Comments

Investors remained poorly disposed to equities in September as weakening global growth forecasts and Euro zone uncertainty led to a mindset of risk avoidance.

September continued the declining trend of recent months with the Australian market off some 11% for the quarter. The international equity market picture was also sobering with markets in Germany, France and Italy down by more than 25% over the September quarter. During September global growth forecasts were trimmed by the OECD, the IMF and the FOMC (Federal Open Market Committee of the US Federal Reserve). For Australian investors the adjustment to growth expectations was most graphically seen by the weakness of the Australian dollar which fell by some 8% over the month. Commodity prices also reflected a softening in global growth sentiment with copper and nickel prices off materially in September, and down 30% and 29% respectively over the quarter.

Australian economic data over the month highlighted an economy that is slowing with unemployment edging up, credit growth minimal, retail sales poor and building sector activity anaemic. GDP data for the June quarter saw growth of 1.2%, though this did in part reflect some data distortion and bounce from a natural disaster impacted Q1. The economic picture from the US remained challenging on a number of fronts: unemployment at 9.1%, or 16.2% using the broader and more appropriate 'U6' measure, consumer confidence soft, very poor new home sales and dwelling construction activity that can only be described as catatonic. The Chinese economy exhibited some further slowing in September, as PBOC initiatives to curb inflation appear to be having the desired effect.

We see significant value in equities at this point in time but we expect that markets will remain challenging in the short term as Eurozone sentiment sours risk sensitive appetites.

### 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 %	-5.8	-10.6	+4.8	-6.8	-15.8
3 month %	-9.3	-11.8	+2.5	-10.5	-13.5
1 year %	-3.6	-12.1	+8.5	-8.0	-17.6
2 years % pa	+3.8	-3.2	+7.0	-4.7	+0.1
3 years % pa	+8.6	-0.1	+8.7	-2.2	+5.5
5 years % pa	+5.0	-2.3	+7.3	-5.8	+7.1
10 years % pa	+13.7	+8.2	+5.5	+5.2	+18.8

Past performance is not necessarily indicative of future returns.

## Fund at a Glance

### Fund Information

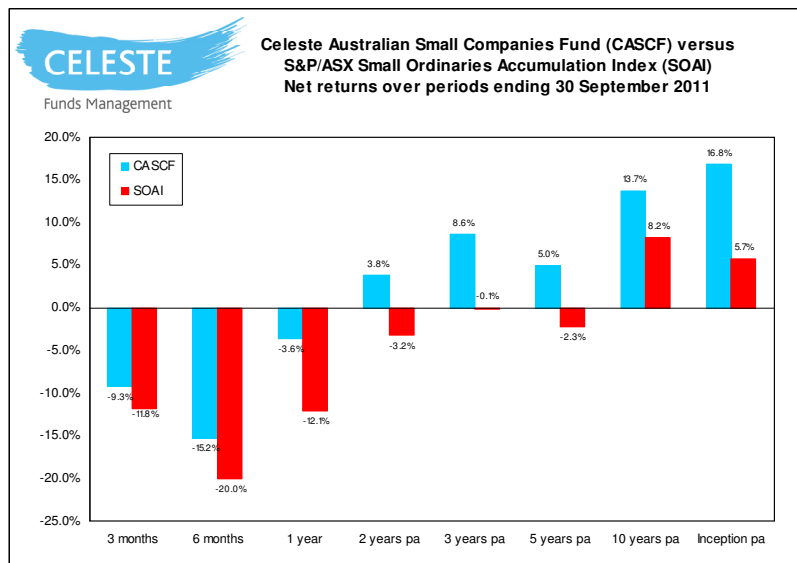
<b>Primary Investments</b>	Shares in listed Australian smaller companies
<b>Investment objective</b>	Small Ordinaries Acc Index + 5% p.a. over rolling 3 years
<b>Unit price (redemption) as at 30.09.2011</b>	\$2.6772
<b>Unit price (application) as at 30.09.2011</b>	\$2.6988
<b>Fund Size as at 30.09.2011</b>	\$109.9m
<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.

### 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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