

CELESTE

Funds Management

Celeste Australian Small Companies Fund

Monthly update 31 January 2012

Fund Performance

The Fund was up 4.6 % in January, with its benchmark, the ASX Small Ordinaries Accumulation Index up 7.8%.

Equity markets around the world rose strongly in January with the DAX up 9.5%, the NASDAQ up 7.9% and the Hang Seng up 10.6%. Elsewhere, the S&P 500 was up 4.4%, the FTSE up 2.0%, and the Nikkei up 4.1%.

In the past year the Fund is down 9.8%, net of all fees, compared to a 13.5% decline for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 16.7% pa, against to the Index's 6.1% pa.

Portfolio Commentary

Imdex was up 16.2% announcing unaudited EBITA up 81% to \$38.3m compared to 1st half 2011. High levels of exploration investment are reflected in robust business activity across all of Imdex's major mining regions. Higher activity levels during the traditionally softer end of year period also bodes well for the 2nd half 2012.

Breville Group rose 8.1%, announcing a strong earnings update. 1st half EBITDA is expected to rise to \$45.0m – up 17% on 1st half 2011. Full year EBITDA guidance is some 13% to 17% above the 2011 result. In the context of a soft consumer markets the Breville performance is very commendable and in part reflects continued sales and profit growth in their North American operations.

Platinum Asset Management was down 3.4%, announcing an unaudited decline in consolidated operating profit of 15% to 19% for 1st half 2012 compared to 1st half 2011. Platinum is not immune to softer global equity markets and reduced fund inflows with investors' appetite for equities falling over the course of 2011. We remain positively disposed to Platinum, its strong market position, its attractive return profile and to the potential for it to grow outside of its traditional retail client base.

Portfolio Top 5 Holdings

Stock	% of Fund
1 SKILLED GROUP	4.5
2 TRANSPACIFIC INDUSTRIES GROUP	4.3
3 AUSTBROKERS HOLDINGS	4.2
4 BREVILLE GROUP	4.1
5 DULUXGROUP	4.0

Monthly Commentary

The Year of the Dragon ushered in a strong rally in risk assets across the globe. Equity markets rose as investor concern on the global economy dropped, fuelled by increasingly accommodative policy settings in the Eurozone and in China.

In the Eurozone the economic picture remains challenging with growth forecasts cut during January. Unemployment across the 17 countries that use the single currency is at 10.4%, equating to some 16.5m people. Investor sentiment towards the Euro crisis has improved in recent weeks, as evidenced by easing sovereign debt costs for Spain and Italy. Increasingly perceptions grow that the European Central Bank (ECB) will use its balance sheet as a firewall to buttress sovereign and bank balance sheets, with the ECB's total assets rising from €1.89tn in mid June 2011 to €2.68tn in January 2012. We remain cautious on the Eurozone and expect investor resolve will be tested in Q1 as the weight of sovereign debt rollovers increases.

On the domestic economic front the picture remains anaemic with new job creation stalled, consumer confidence poor and credit growth lacklustre. It appears the preconditions for further Reserve Bank rate easing are in place, with recent CPI data suggesting inflation is in check.

The initiatives of the People's Bank of China to slow the economy and tame the inflation tiger appear to have succeeded with credit growth moderating, the real estate market slowing and capital equipment/auto sales falling. The critical question for China watchers over 2012 will be the magnitude of the slowdown and the consequences for a China growth dependant world.

We expect that the current interim reporting season will likely lead to earnings downgrades, but feel that the bulk of earnings negativity is already baked into equity prices. In the short, medium and longer term we will look to continue to apply our investment process consistently and will look to add to equities with attractive fundamentals.

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 %	+4.6	+7.8	-3.2	+5.5	+11.4
3 month %	-2.3	-0.7	-1.6	-0.3	-1.2
1 year %	-9.8	-13.5	+3.7	-8.4	-19.8
3 years % pa	+22.4	+16.5	+5.9	+12.9	+24.4
5 years % pa	+0.9	-4.1	+5.0	-7.6	+5.0
10 years % pa	+12.0	+6.9	+5.1	+3.9	+16.7

Past performance is not necessarily indicative of future returns.

Fund at a Glance

Fund Information

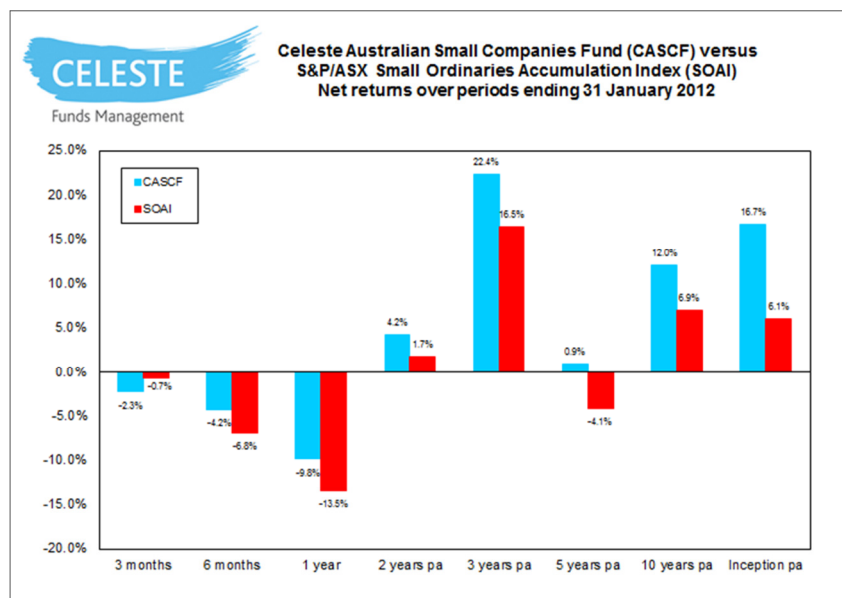
Primary Investments	Shares in listed Australian smaller companies
Investment objective	Small Ordinaries Acc Index + 5% p.a. over rolling 3 years
Unit price (redemption) as at 31.01.2012	\$2.7676
Unit price (application) as at 31.01.2012	\$2.7900
Fund Size as at 31.01.2012	\$114m
Minimum investment	\$25,000
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



Past performance is not necessarily indicative of future returns.

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.

This report is intended to provide only general securities advice. Celeste Funds Management Limited does not purport to make any recommendation that any securities transaction is appropriate to your particular investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from your adviser, on whether any relevant part of this report is appropriate to your individual circumstances. Celeste Funds Management Limited believes that the information contained in this report has been obtained from sources that are accurate, but it has not checked or verified that information. Except to the extent that liability cannot be excluded, Celeste Funds Management Limited accepts no liability for any losses or damage caused by any error in or omission from this report

Celeste Funds Management Limited

Level 14, 15 Castlereagh Street, Sydney NSW 2000. GPO Box 4266, Sydney NSW 2001

T 02 9216 1800 F 02 9216 1899 E contact@celestefunds.com.au

www.celestefunds.com.au