

# CELESTE

Funds Management

## Celeste Australian Small Companies Fund

Monthly update 29 February 2012

### Fund Performance

The Fund was up 7.5% in February, with its benchmark, the ASX Small Ordinaries Accumulation Index up 6.5%.

Equity markets elsewhere again mostly rose in February with the NASDAQ up 6.2% the S&P 500 up 4.6%, the DAX up 6.2%, the Nikkei up a strong 10.5%, and the FTSE up 3.3%.

In the past year the Fund is down 5.1 %, net of all fees, compared to a 9.0% decline for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 17.2% pa, against to the Index's 6.5% pa.

### Portfolio Commentary

**Breville Group** rose 18.6% during February. The Breville interim result revealed US sales had leapfrogged Australian operations, contributing 32% more revenue and 17% more EBITDA than the combined Australia and NZ operations. Add to this a pristine balance sheet - currently in a net cash position – all in stark contrast to an otherwise depressed discretionary retail sector. With the ACCC thwarting prospects of GUD taking over Breville, GUD took advantage of Breville's strong share price and exited its 19.3% stake in the business at the end of the month.

**Skilled Group** rose 23.1% delivering an improved result, moving from a \$2.3m net profit loss in 1<sup>st</sup> half 2011 to an underlying \$24.9m profit. Financial and operational disciplines improved, highlighted by sale of non-core Excelior and Tradeforce NZ as well as \$12m cost savings for FY'13 running ahead of plan. The medium term outlook for further profit growth at Skilled Group remains strong.

**Austbrokers** rose 4.0% delivering 12% revenue and 17% underlying net profit growth. The excellent Austbrokers result highlighted the attractions of its business model against challenging conditions in the insurance sector.

**Coffey International** was up 33.3%, delivering a much improved first half result and maintaining \$45m full year EBITDA guidance. Improved disclosure for operating metrics of the key geosciences division highlighted a reduction in the non-billable to billable staff ratio, lower staff churn, and increasing consultant utilisation. With key performance indicators pointing in the right direction and with resource sector capital expenditure budgets healthy, medium term prospects for Coffey remain positive.

**Index** was up 24.7% in February, after a 16.2% rise in January. The Index interim result was very strong with sales in its Minerals division up a record 52%, half on half. Prospects for Index's Oil & Gas division should improve following the restructuring of the DHSO joint venture entity.

### Portfolio Top 5 Holdings

Stock	% of Fund
1 SKILLED GROUP	5.0
2 BREVILLE GROUP	4.4
3 AUSTBROKERS HOLDINGS	4.4
4 TRANSPACIFIC INDUSTRIES GROUP	4.1
5 RCR TOMLINSON	4.1

### Monthly Commentary

The appetite for risk assets improved substantially over the 29 days of February. Investors grew increasingly confident that Eurozone risk was diminishing, in effect being actively quarantined by the ECB via LTRO programs. In the US fears of a double dip recession appear to be evaporating as a tentative, anaemic economic recovery takes root. The PBOC appear sensitive to the possibility of a hard landing in China with a preparedness to tweak reserve requirement and improve systemic liquidity, should the economic backdrop require stimulus.

Evidence of the 2 speed domestic economy was pronounced in interim reporting season 2012. Corporates with little or no resource sector exposure see the domestic sales environment as lacklustre, that cost pressures are ever present and that trading terms are increasingly challenging. For corporates with resource sector exposure revenues are buoyant, labour shortages remain an issue, as does the ability to deliver skills and services to budget and on time.

Whilst we continue to see attractive investment opportunities in the market we are sensitive to the 14.7% appreciation in the Small Ords since January 1<sup>st</sup>, some 1.8% per week. A period of consolidation may be likely in the short term and we will look to add to portfolio positions in a process consistent manner, should compelling valuations emerge.

### 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 %	+7.5	+6.5	+1.0	+8.6	+3.4
3 month %	+8.5	+9.8	-1.3	+11.8	+7.0
1 year %	-5.1	-9.0	+3.9	-0.9	-19.0
3 years % pa	+25.9	+21.7	+4.2	+20.3	+24.7
5 years % pa	+2.5	-3.1	+5.6	-6.1	+4.8
10 years % pa	+12.8	+7.6	+5.2	+4.8	+17.1

Past performance is not necessarily indicative of future returns.

## Fund at a Glance

### Fund Information

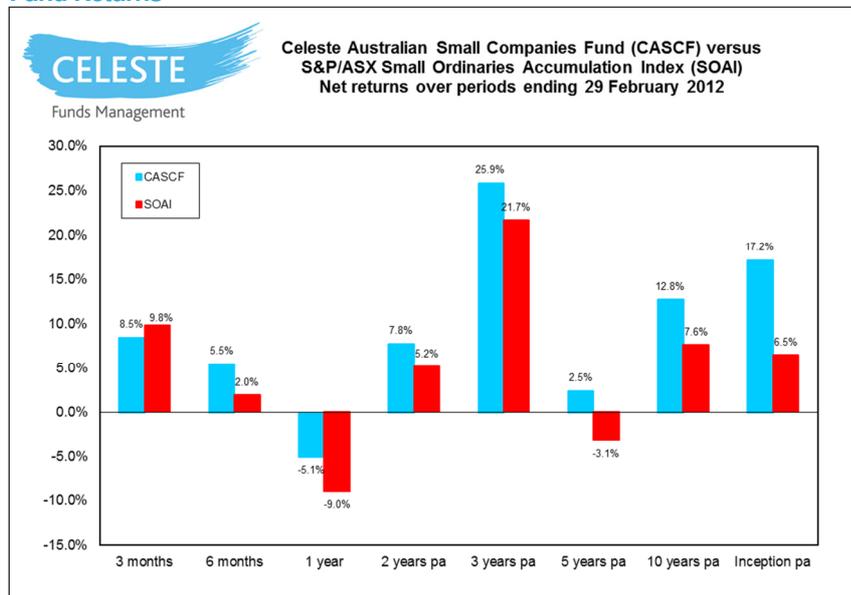
<b>Primary Investments</b>	Shares in listed Australian smaller companies
<b>Investment objective</b>	Small Ordinaries Acc Index + 5% p.a. over rolling 3 years
<b>Unit price (redemption) as at 29.02.2012</b>	\$2.9754
<b>Unit price (application) as at 29.02.2012</b>	\$2.9994
<b>Fund Size as at 29.02.2012</b>	\$126m
<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



### 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

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\*CPU/unit price at beginning of period.

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