

# CELESTE

Funds Management

## Celeste Australian Small Companies Fund

Monthly update 31 March 2012

### Fund Performance

The Fund was up 4.5% in March, with its benchmark, the ASX Small Ordinaries Accumulation Index up 0.2%.

Equity markets elsewhere put in a mixed performance, with the NASDAQ up 4.2%, the S&P 500 up 3.1%, the Nikkei up 3.7% and the DAX up 1.3%, while the FTSE was down 1.8%.

In the past year the Fund is down 0.8%, net of all fees, compared to a 8.6% decline for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 17.5% pa, against to the Index's 6.5% pa.

### Portfolio Commentary

**Breville Group** rose 24.4% in March, following on from its strong February performance post its FY 2012 interim result. During March listed peer GUD Holdings sold its 19.3% shareholding in Breville Group, substantially improving the liquidity profile of the company. Prospects for Breville remain healthy and its valuation remains compelling.

**RCR Tomlinson** was up 15.4%. Highlighting the company's strong delivery capability, its energy business won a \$20m Fonterra contract for the supply of a 45MW coal-fired steam boiler for a milk powder drier in New Zealand. This represents the second contract win of meaningful size for the energy division, following the AE&E acquisition last year.

**Carsales.com** rose 10.4% during March, continuing to benefit from its robust FY 2012 interim result. In March Carsales spent \$7.2m acquiring a 15% stake in NZ based Torpedo7 Ltd, with rights to increase its stake should certain milestones be achieved. Torpedo7 successfully runs the 1-Day and UrbanDaddy on-line businesses. Torpedo7 sells over 70,000 unique items that will add materially to Carsales's QuickSales website inventory. Whilst the Carsales investment in Torpedo7 is small we note it as strategic, complimentary and synergistic.

### Portfolio Top 5 Holdings

Stock	% of Fund
1 SKILLED GROUP	5.0
2 BREVILLE GROUP	4.7
3 TRANSPACIFIC INDUSTRIES GROUP	4.6
4 RCR TOMLINSON	4.2
5 AUSTBROKERS HOLDINGS	4.0

### Monthly Commentary

The Small Ords performance in March continued the positive trend evident since the start of calendar 2012, with the month up 0.2% and the first quarter of this year up almost 15%. March brought to a close the FY 2012 interim reporting season, which, whilst generally lacklustre, was noteworthy for its lack of major earnings revisions. Domestic investors appear in a more equity friendly frame of mind given relatively attractive valuation levels and a global economic backdrop where the harbinger of doom is less audible than was the case a few months ago.

In recent months the pace of economic improvement in the US has become slightly more pronounced. It need be remembered that the US Federal Reserve has kept interest rates at near zero for three years and undertaken two asset purchase programs leading to its balance sheet tripling in size. It appears that the US Federal Reserve will maintain their ultra-accommodative stance in the medium term and that an anaemic recovery will result over the course of calendar 2012.

Data points to emerge from China over March suggest the economy is slowing with factory orders falling and import growth far outweighing exports. The Chinese residential property market saw a significant decline in both sales activity (-14%) and values realised (-21%) in the first two months of 2012, compared to 2011. The PBOC's inflation curbing initiatives appear to be working with Feb. +3.2% CPI a stark contrast to Jan. +4.5% YOY. The PBOC's confirmed a 2012 China growth target of 7.5%, a pleasing beacon of strength in an increasingly low growth global backdrop. With China currently the ultimate destination of some 23% of Australia's exports, the largest single destination of any nation, the ongoing health of the Chinese economy remains pivotal to our domestic economic picture.

Recent Australian economic news has continued to be poor, highlighting a weakening of conditions for those not on the resources sector superhighway. We note the Reserve Bank has considerable room to move on the interest rate front and believe that the question of rate cuts is not one of if, but when. Despite recent market appreciation we continue to find attractive investment opportunities and will look to add to portfolio exposures in a process consistent manner.

### 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 %	+4.5	+0.2	+4.3	+3.8	-5.5
3 month %	+17.5	+15.0	+2.5	+18.9	+8.9
1 year %	-0.8	-8.6	+7.8	+1.5	-21.6
3 years % pa	+24.2	+17.9	+6.3	+18.3	+17.6
5 years % pa	+3.2	-3.9	+7.1	-6.0	+2.2
10 years % pa	+13.0	+7.5	+5.5	+5.1	+15.7

Past performance is not necessarily indicative of future returns.

## Fund at a Glance

### Fund Information

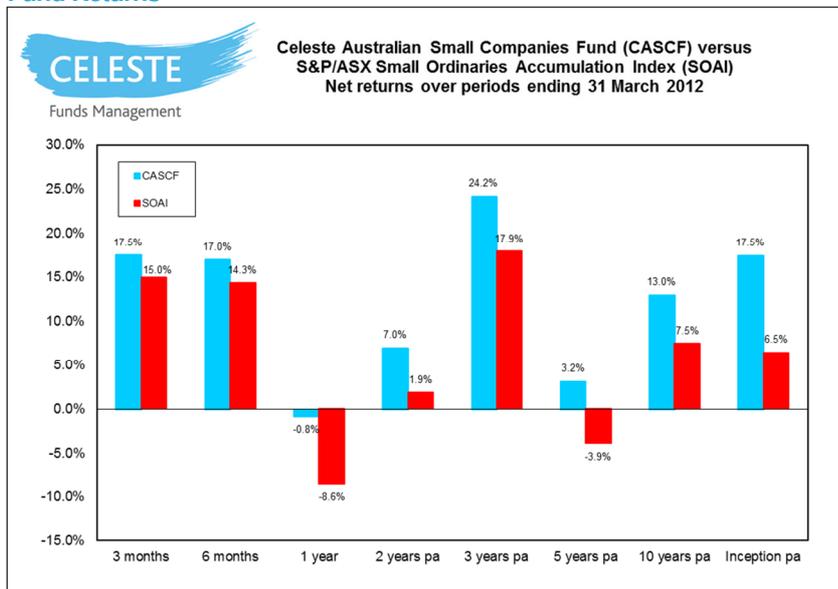
<b>Primary Investments</b>	Shares in listed Australian smaller companies
<b>Investment objective</b>	Small Ordinaries Acc Index + 5% p.a. over rolling 3 years
<b>Unit price (redemption) as at 31.03.2012</b>	\$3.1084
<b>Unit price (application) as at 31.03.2012</b>	\$3.1335
<b>Fund Size as at 31.03.2012</b>	\$137m
<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

Past performance is not necessarily indicative of future returns.

\*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](mailto:contact@celestefunds.com.au)

[www.celestefunds.com.au](http://www.celestefunds.com.au)