

CELESTE

Funds Management

Celeste Australian Small Companies Fund

Monthly update 30 June 2012

Fund Performance

The Fund was down 0.7% in June, with its benchmark, the ASX Small Ordinaries Accumulation Index down 4.8%.

In June the ASX All Ordinaries Accumulation Index rose a miserly 0.25%, in stark contrast to the more spirited performance of the S&P 500 which was up 4.0%, the NASDAQ's 3.8% rise and the Nikkei's 5.4% appreciation.

In the past year the Celeste Australian Small Companies Fund is down 2.0%, net of all fees, compared to a 14.6% decline for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 16.5% p.a., against the Index's 5.1% p.a.

Portfolio Commentary

Data#3 was up 12.1% in June as it pre-announced its FY'12 result, expecting a fall in Pre Tax Profits of some 10%. We view Data#3's FY'12 performance as very solid given a poor economic backdrop and a sector beset by project delays.

RCR Tomlinson rose 7.8% during the month, and advised the market that it expected FY'12 Net Profits would be up at least 15% on FY '11. Going into FY'13 RCR has a record order book, no debt and excellent growth prospects.

Carsales.com.au was up 7.3% during June, a month when Fairfax announced it would reduce staff by 1,900 over the next 3 years. In the medium term we expect Carsales.com.au will continue to benefit from structural change within the media sector as auto manufacturers, insurers & financiers continue to migrate their advertising spend to on-line over print.

Lycopodium rose 4.2% in June, a month when it announced a new EPCM contract (engineer, procure, construct & manage) with Endeavour Mining for the Agbaou Gold Mine in Cote D'Ivoire.

MACA rose 6.1% over the month, announcing 3 new contracts with Atlas Iron. The contracts included a 6 month \$20m contract for civil works as well as 15 & 13 month engagements for mining & crushing services respectively.

Portfolio Top 5 Holdings

Stock	% of Fund
1 BREVILLE GROUP	5.1
2 SKILLED GROUP	5.1
3 TRANSPACIFIC INDUSTRIES	4.4
4 AUSTBROKERS HOLDINGS	4.2
5 NUFARM	4.1

Monthly Commentary

The volatility characteristic of equity markets in recent months continued in June with the Small Ords off 4.8%, down 15.3% in the June quarter. The June 2012 quarter negative return compares with the March 2012 quarter which generated a positive return of 15%. With the global economic picture posing questions on a number of fronts investors have adjusted weightings to risk assets aggressively, both up and down, a situation we expect to continue in coming months.

During June investors continued to agonise over the Euro-zone crisis and specifically: elections in Greece, Spanish Bank bail outs and the escalating cost of sovereign debt roll overs for both Italy and Spain. Data points on the Chinese economy during June highlighted further economic slowdown with credit growth subdued, consumer sentiment softening and a cooling real estate market. In the year to May 31st cement output in China grew by 5%, compared with growth of 14.3% in the prior year. Cost pressures within the Chinese economy continue at pace with wage rise guidelines issued in June indicating an average increase in FY 2013 of 14%, year on year.

On the domestic economic front June news flows were generally good. March quarter seasonally adjusted GDP was up a strong 1.3%, quarter on quarter. The Reserve Bank of Australia (RBA) reduced the cash rate by 0.25% in June, taking it to 3.5%. Commentary from the RBA noted that it will now press the pause button on further rate cuts as it assesses the impact of its recent rate cutting actions.

Equity markets are likely to remain volatile in coming months, with sentiment fragile. We see valuations in the small cap sector as fundamentally attractive. Current share prices are compelling in a historic context with many high quality business on single digit PER's with fully franked yields of 6%+. In the coming months we will look to add to core portfolio exposures in a process consistent manner, when appropriate valuations present themselves.

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 %	-0.7	-4.8	+4.1	-1.8	-10.7
3 month %	-7.6	-15.3	+7.7	-8.6	-26.9
1 year %	-2.0	-14.6	+12.6	-2.7	-32.1
3 years % pa	+15.5	+3.4	+12.1	+7.5	-3.4
5 years % pa	-0.4	-8.9	+8.5	-9.2	-7.0
10 years % pa	+12.7	+6.7	+6.0	+5.1	+13.1

Past performance is not necessarily indicative of future returns.

Fund at a Glance

Fund Information

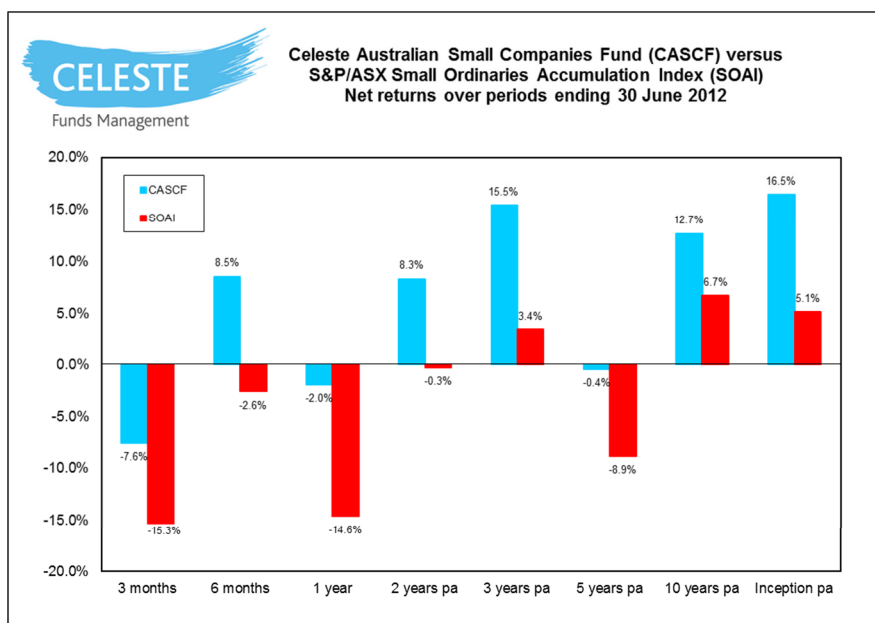
Primary Investments		Shares in listed Australian smaller companies
Investment objective		Small Ordinaries Acc Index + 5% p.a. over rolling 3 years
Unit price (redemption) as at 30.06.2012	ex - Distribution	\$2.8504
Unit price (application) as at 30.06.2012	ex - Distribution	\$2.8734
Fund Size as at 30.06.2012	ex - Distribution	\$134m
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



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
June 12	4.07	1.4

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* CPU/unit price at beginning of period.

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