



Souls Australian Small Companies Fund

Monthly update 30 November 2008

Fund Performance

Over November the Fund outperformed its benchmark by 1.4%. November was another extreme month with the S&P/ASX Small Ordinaries Accumulation Index off 9.6%. Domestic economic indicators deteriorated and annual general meetings further tempered earnings expectations for the bulk of companies. Global markets were mostly weaker, with the US S&P Index down 7.5%, while NASDAQ was down 10.8%. The UK FTSE was down 2.0%, while the Nikkei fell a modest 0.8%.

For the year the Fund has declined by 47.6% which compares to a 56.1% decline for the S&P/ASX Small Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is a 16.0%pa gain versus a 3.4%pa gain for the Index.

AWB jumped 30.2% following positive AGM commentary and the announcement of merger talks with ABB. **Calliden** was up 26.7% after the company announced a share buyback and the intention to start paying dividends this year. **Resmed** was up 8.7% as the market digested its first quarter result and news of a number of new product launches. **Australian Wealth Management** rose 7.6% on the back of a potential merger announcement with IOOF.

Lycopodium (-28.6%), **Monadelphous Group** (-19.1%), and **Mac Services Group** (-18.2%) suffered another month of poor performance as the market continues to de-rate service providers to the resources sector. Likewise wealth management stocks including **Treasury Group** (-27.7%), **WHK Group** (-13.0%) and **Count Financial** (-9.9%) were pushed down further by poor sector sentiment. **SMS Management** (-24.5%) and **ASG Group** (-13.8%) suffered from continued poor sentiment towards the IT sector. **Austereo Group** (-20.7%) fell on AGM commentary that confirmed negative 2.18% industry revenue growth for a rolling four month period to the end of October.

Portfolio activity

The fund added to positions in **Data#3**, **NoniB**, **ASG Group**, **Treasury Group** and **Calliden Group** over the month. Cash amounted to -0.3%¹ at month end.

¹ Includes a 0.9% Performance Fee accrual as at 30 November. Due to market volatility this may or may not become payable by 31 December.

Market Comments

Whilst equity market commentary at present remains uniform and numbingly bleak we note that valuations for many industrial companies are compelling in a historic context and that the preconditions to some sentiment basing may emerge in tandem with a climate of lower interest rates. For investors with a medium to longer term investment time horizon we believe that the current Small Cap. Industrial market provides scope for attractive capital gains, healthy yields with an attractive risk reward trade off.

Performance Statistics (Net of fees)

	Souls Australian Small Co. Fund	ASX Small Ord Acc Index	Difference
1 month %	-8.2	-9.6	1.4
3 month %	-26.4	-42.2	15.8
1 year %	-47.6	-56.1	8.5
2 years % pa	-17.3	-26.0	8.7
3 years % pa	-4.1	-10.5	6.4
4 years % pa	-3.2	-4.2	1.0
5 years % pa	6.2	2.0	4.2

Past performance is not necessarily indicative of future returns.

Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 REECE	6.6
2 GWA INTERNATIONAL	6.1
3 ARB CORPORATION	5.7
4 SALMAT	5.5
5 DATA #3	5.2
6 AWB	4.4
7 AUSBROKERS HOLDINGS	4.3
8 ASG GROUP	4.2
9 RESMED	4.2
10 CAMPBELL BROTHERS	3.7
OTHER STOCKS	50.4
CASH	-0.3 ¹
TOTAL	100

Distribution History

Total distribution for the year ended	Cents Per Unit	Annual Yield %*
June 06	18.88	7.3
June 07	34.32	12.2
June 08	38.82	9.8

*CPU/unit price at beginning of period.

Fund at a Glance

Souls Australian Small Companies Fund

- **Primary Investments** Shares in listed Australian smaller companies
- **Investment objective** Small Ordinaries Acc Index + 5% p.a. over rolling 3 years
- **Investor time horizon** Minimum 4 years

Fund information

Unit price (redemption) as at 30.11.08	\$1.8766
Unit price (application) as at 30.11.08	\$1.8917
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*	0.70% p.a.
Performance fee**	20% of return above benchmark
OGFM***	0.70% 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 0.70% p.a. for the duration of the PDS.

This report is intended to provide only general securities advice. Souls 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. Souls 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, Souls Funds Management Limited accepts no liability for any losses or damage caused by any error in or omission from this report



Souls 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@soulsfm.com.au

www.soulsfm.com.au

ABN 78 098 628 605