



## Souls Australian Small Companies Fund

Monthly update 31 December 2008

### Fund Performance

Over December the Fund underperformed its benchmark by 2.3%. December was more positive for the market than recent months with the S&P/ASX Small Ordinaries Accumulation Index up 4.2%. Cyclical exposures with robust balance sheets recovered whilst smaller resources recovered ground as commodity prices stabilised. Global markets put in a mostly positive performance with the US S&P Index up 0.8%, while NASDAQ was up 2.7%. The UK FTSE was up 3.4%, and the Nikkei was up 4.1%.

For the year the Fund has declined by 46.0% which compares to a 53.2% decline for the S&P/ASX Small Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is a 16.1%pa gain versus a 3.8%pa gain for the Index.

**Australian Wealth Management** (28.7%) continued to rise on the back of the proposed merger with IOOF and Bendigo Bank taking a stake in the stock. **GWA International** (22.4%) announced the acquisition of the Austral Lock business for \$12m. **Super Cheap Auto Group** was up 21.8% on no news, with mixed performances elsewhere in the retail sector. **BSA** was up 20.0% and **SDI** up 19.1%, both on no news flow. **MYOB** was up 15.6% as it became clear that the takeover by Manhattan Software was going to succeed. Media companies **Austereo Group** (12.6%) and **STW Communications** (12.4%) both recovered from their softer November performances.

**Lycopodium** (-40.5%) suffered yet another poor month as the market extrapolates the grim situation in resources to prospects for service companies to that sector. **Mac Services Group** (-36.2%) was marked down upon a contract cancellation by Rio Tinto. **AWB** was down 25.5% due to the termination of merger discussions with ABB Grain. **Thomas and Coffey** moved down 13.3% on no news flow. **Campbell Brothers** was down -12.0% despite a recovery late in the month. **NoniB** (-11.5%), **PlanB** (-10.8%) and **ASG Group** (-10.0%) were all softer on news flow.

### Portfolio activity

The fund added to its **Lycopodium** position and trimmed positions in **Reece** and **Data#3** to fund acquisitions and build its cash position for year end distributions. Cash amounted to 1.6% at month end.

### Market Comments

The Australian economy enters 2009 facing a number of macroeconomic headwinds albeit in better shape than most developed economies. Following the significant decline in share prices during 2008 the earnings yield of the market compares very favourably to bonds and cash. For investors with a medium to longer term investment horizon, we believe the current small cap industrial market provides scope for attractive capital gains relative to the risk reward profile.

### Performance Statistics (Net of fees)

	Souls Australian Small Co. Fund	ASX Small Ord Acc Index	Difference
1 month %	1.9	4.2	-2.3
3 month %	-21.7	-29.2	7.5
1 year %	-46.0	-53.2	7.2
2 years % pa	-18.9	-26.0	7.1
3 years % pa	-4.0	-9.7	5.7
4 years % pa	-2.9	-3.2	0.3
5 years % pa	6.0	2.2	3.8

Past performance is not necessarily indicative of future returns.

### Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 GWA INTERNATIONAL	7.1
2 SALMAT	5.8
3 REECE	5.6
4 ARB CORPORATION	5.5
5 DATA #3	5.1
6 AUSBROKERS HOLDINGS	4.5
7 RESMED	4.1
8 WHK GROUP	4.0
9 SUPER CHEAP AUTO GROUP	3.8
10 CALLIDEN GROUP	3.7
OTHER STOCKS	49.2
CASH	1.6
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

<b>Unit price (redemption) as at 31.12.08</b>	\$1.9025
<b>Unit price (application) as at 31.12.08</b>	\$1.9179
<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>	0.70% p.a.
<b>Performance fee**</b>	20% of return above benchmark
<b>OGFM***</b>	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.

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