



Souls Australian Small Companies Fund

Monthly update 31 January 2009

Fund Performance

In January the Fund underperformed its benchmark by 2.3%. Following a positive performance in December, in January the S&P/ASX Small Ordinaries Accumulation Index fell 4.7%. With investor sentiment fragile and the economic landscape uncertain, volatility and risk aversion are likely to be characteristics of global equity markets in the coming months. January saw most global markets softer, with the US S&P Index down 8.6%, while NASDAQ was only down 6.4%. The UK FTSE was down 6.4%, and the Nikkei was down 9.8%.

For the year the Fund has declined by 41.0% which compares to a 47.9% decline for the S&P/ASX Small Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is a 15.1%pa gain versus a 3.3%pa gain for the Index.

Portfolio Highlights

Resmed (15.7%) continued to benefit from investors flight to safety, as health stocks outperformed the broader market. **BSA** rose 12.5% on no news. **Lycopodium** was up 5.0% as it made up a small amount of previous underperformance. **Thomas & Coffey** also rose 3.1% on no news flow. **NIB Holdings** (2.6%) made a small gain as did **Reckon** (1.9%), which completed the acquisition of two Espreon businesses in early January. **Salmat** (-1.6%) was down marginally. **Data#3** (-1.7%) declined despite confirming previous earnings guidance based on unaudited results.

ASG Group was down 23.3%, partially recovering from intra month lows towards the end of the month, following the announcement of \$30m in contract wins. **Count Financial** was down 23.0% but also trended upwards following a trading update late in January. **Adelaide Brighton** (-19.1%) was negatively impacted by BHP's closure of its Ravensthorpe nickel operation through its effect on lime demand. **GWA International** (-17.6%) while performing above sector average also signalled softer trading conditions. **Australian Wealth** was down 17.3% as the wealth management sector continues to suffer.

Portfolio Activity

The Fund's **MYOB** position was sold into the takeover, with the cash being applied to add to positions in **Monadelphous** and **Resmed**. Cash amounted to 2.9% at month end.

Market Comments

With the FY 2009 interim reporting season upon us the issue of earnings, in terms of quantum and quality, is likely to be paramount in investors' minds in the coming weeks. We expect some rebasing of earnings expectations for the market is likely to be delivered in the short term. In tandem with greater clarity on the economic front the pre conditions to moderation in risk aversion have scope to emerge over 2009. Valuations are attractive in a historic context and compelling for investors with a medium term investment time horizon.

Performance Statistics (Net of fees)

	Souls Australian Small Co. Fund	ASX Small Ord Acc Index	Difference
1 month %	-7.0	-4.7	-2.3
3 month %	-13.1	-10.2	-2.9
1 year %	-41.0	-47.9	6.9
2 years % pa	-24.5	-28.4	3.9
3 years % pa	-6.8	-12.2	5.4
4 years % pa	-5.1	-5.4	0.3
5 years % pa	3.6	1.2	2.4

Past performance is not necessarily indicative of future returns.

Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 GWA INTERNATIONAL	6.2
2 SALMAT	6.1
3 REECE	5.7
4 ARB CORPORATION	5.6
5 RESMED	5.4
6 DATA #3	5.3
7 AUSTBROKERS HOLDINGS	4.7
8 WHK GROUP	3.9
9 SUPER CHEAP AUTO GROUP	3.5
10 CALLIDEN GROUP	3.4
OTHER STOCKS	47.3
CASH	2.9
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 31.01.09	\$1.7686
Unit price (application) as at 31.01.09	\$1.7829
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.

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