



Souls Australian Small Companies Fund

Monthly update 28 February 2009

Fund Performance

In February the Fund out performed its benchmark by 5.4%. In a relative context the fund performed well, though the generation of negative absolute returns need be acknowledged. The healthy relative performance can be substantially slated to the performance of our stocks during reporting season, with our investment process assisting us in avoiding a number of poor investment opportunities.

The Australian market fared well compared to the US S&P Index, which was down 11.0%. NASDAQ was down 6.7%. The UK FTSE was down 7.7%, and the Nikkei was down 5.3%.

For the year the Fund has declined by 38.4% which compares to a 53.1% decline for the S&P/ASX Small Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is a 14.9%pa gain versus a 2.6%pa gain for the Index.

Portfolio Highlights

ASG Group (39.1%) recovered from January lows after announcing significant contract wins at the end of January and delivering a result in line with AGM earnings guidance. **Count Financial** rose 27.9% on the back of its half year result highlighting the quality and resilience of the business in tough trading conditions. **Coffey International** also rose 21.9% on a very positive result with a strong contribution from its International Development division. **SMS Management & Technology** (20.4%) delivered a better than expected result and maintains a solid balance sheet.

AWB dropped 60.1% following a market update at its AGM which indicated a continued negative impact from drought conditions in SA, VIC and NSW. **Campbell Brothers** fell 36.9% suffering from a slow down in activity in its minerals operations and from concerns as to the surety / robustness of its short term earnings. **Treasury Group** (-33.9%) declined as the markets aversion to asset managers and those whose earnings are sensitive to equity market levels. **STW Communications** (-33.3%) reported a soft full year result but was marked down further on broader concerns for the advertising industry.

Portfolio Activity

The Fund established a position in **Specialty Fashion House**. Positions in **ARB Corporation** and **Monadelphous** were added to. Cash amounted to 1.6% at month end.

Market Comments

Whilst equity markets around the world have exhibited high levels of volatility the situation in the Small Company universe has been quite extreme as investors aggressively seek liquidity, dial down their risk appetites, and seek solace in fixed interest alternatives. We currently see many attractive investment opportunities, with valuations at decade lows & balance sheets in fine fettle. We note that the number of attractive investment opportunities before us today is unprecedented in the context of the last 25 years. We continue to believe in the longer term attraction of equities and suggest that investors prepared to look through the current uncertainty will be well rewarded over time.

Performance Statistics (Net of fees)

	Souls Australian Small Co. Fund	ASX Small Ord Acc Index	Difference
1 month %	-1.3	-6.7	5.4
3 month %	-6.5	-7.4	0.9
1 year %	-38.4	-53.1	14.7
2 years % pa	-24.8	-31.2	6.4
3 years % pa	-8.6	-14.8	6.2
4 years % pa	-5.1	-6.7	1.6
5 years % pa	2.3	-0.6	2.9

Past performance is not necessarily indicative of future returns.

Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 SALMAT	6.3
2 ARB CORPORATION	6.0
3 REECE AUSTRALIA	5.7
4 DATA #3	5.7
5 GWA INTERNATIONAL	5.7
6 RESMED	5.3
7 AUSTBROKERS HOLDINGS	5.0
8 WHK GROUP	4.3
9 ASG GROUP	4.3
10 CALLIDEN GROUP	3.8
OTHER STOCKS	46.3
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

Unit price (redemption) as at 28.02.09	\$1.7465
Unit price (application) as at 28.02.09	\$1.7606
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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