



Souls Australian Small Companies Fund

Monthly update 30 April 2009

Fund Performance

In April the Fund generated a return of 9.8%, and yet underperformed its benchmark the ASX Small Ordinaries Accumulation Index by 3.7%. In last months commentary we noted that in March, "...Collective risk appetites grew leading to equity market rallies around the world". The experience in April had a Groundhog Day feel about it, as markets rallied strongly, and investors exhibited little sensitivity to valuation, operational fundamentals, business model viability or balance sheet quality. Despite the current swing in equity market mood we continue to adhere to our process, and apply it consistently across equity market cycles, to generate attractive longer term returns, within acceptable risk tolerances.

The global indices followed up a strong March with further increases in April. The US S&P Index was up 9.4% and NASDAQ up 12.4%. The UK FTSE rose 8.1% and the Nikkei 8.9%. For the year the Fund has declined by 24.7% which compares to a 40.5% decline for the S&P/ASX Small Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is a 16.5%pa gain versus a 4.7%pa gain for the Index.

Portfolio Highlights

The Mac Services Group was up 47.4% as it benefitted from a strong performance of the resource sector. **ABB Grain** gained 45.8% after a non-binding approach by Canadian based Viterra with a conditional takeover proposal. **Lycopodium** (38.5%) was a beneficiary of stronger resources sector sentiment and **Count Financial** (35.1%) rose following the release of its quarterly business report. **Super Cheap Auto Group** rose 35.1%, as many retailers performed well in the market rally. **Plan B** was up 28.9% on low volume. **Breville Group** (23.6%), in which the fund recently took a position, performed well on industry data suggesting resilience in the small electrical appliances market segment. **SDI** was down -8.0% on no news flow. **Noni B** (-7.0%) did not benefit from improved sentiment in other parts of the retail sector. **Thomas & Coffey** (-6.5%) and **Skilled Group** (-3.8%) did not rally, as activity levels in the labour hire and contracting services markets remain soft.

Portfolio Activity

The Fund established a position in **Breville Group** and **Seek**. Positions in **STW Communications**, **ASG Group**, **Adelaide Brighton** and **Data#3** were added to while we took some profits in **ABB Grain** to fund acquisitions. Cash amounted to 1.9% at month end.

Market Comments

Following a dramatic rise over recent weeks we expect some consolidation is inevitable, and bouts of short term volatility remain likely. With FY 2009 reporting season on the horizon investors are likely to adopt a more contemplative short term disposition, less momentum driven. We see little evidence of a broadly based improving operating environment, and suspect earnings downgrades in FY 2009, and, more importantly into FY 2010, will act as an inhibitor to 'green shoot emergence' in the coming months. We continue to seek attractive investment opportunities, with sentiment gyration to provide a fertile backdrop for us to till, within the confines of our process.

Performance Statistics (Net of fees)

	Souls Australian Small Co. Fund	ASX Small Ord Acc Index	Difference
1 month %	9.8	13.5	-3.7
3 month %	17.9	16.7	1.2
1 year %	-24.7	-40.5	15.8
2 years % pa	-19.6	-26.4	6.8
3 years % pa	-4.2	-10.4	6.2
4 years % pa	2.4	0.4	2.0
5 years % pa	5.3	4.0	1.3

Past performance is not necessarily indicative of future returns.

Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 SALMAT	6.4
2 DATA #3	5.6
3 REECE AUSTRALIA	5.4
4 GWA INTERNATIONAL	5.1
5 ASG GROUP	4.9
6 ARB CORPORATION	4.9
7 AUSTBROKERS HOLDINGS	4.2
8 WHK GROUP	4.2
9 SMS MANAGEMENT & TECHNOLOGY	4.0
10 SUPER CHEAP AUTO	3.9
OTHER STOCKS	49.5
CASH	1.9
TOTAL	100

Fund at a Glance

Souls Australian Small Companies Fund

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

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 Information

Unit price (redemption) as at 30.04.09	\$2.0847
Unit price (application) as at 30.04.09	\$2.1015
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