



# Souls Australian Small Companies Fund

Monthly update 31 May 2009

## Fund Performance

In May the Fund generated a return of 2.6%, and yet underperformed its benchmark the ASX Small Ordinaries Accumulation Index by 4.9%. In May the divergence in performance between the Small Industrials and Small Resources was quite startling, with performances of +2.1% and +16.7% respectively. Over the last six months the Small Industrials is up 9.7% with the Small Resources up a staggering 64.0%.

International markets rallied strongly over the month with the US S&P Index was up 5.3% and NASDAQ up 3.3%. In other international markets the UK FTSE rose 4.1% and the Nikkei 7.9%.

For the year the Fund has declined by 22.4% which compares to a 38.5% decline for the S&P/ASX Small Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is a 16.6%pa gain versus a 5.3%pa gain for the Index.

## Portfolio Highlights

**Campbell Brothers** was up 23.1% after delivering a full year result that provided better clarity about the future prospects for the business. **SMS Management & Technology** (21.7%) announced the acquisition of a Sydney based business boosting its data management capability. **Calliden Group** (18.2%) provided positive AGM commentary. **ARB Corporation** was up 16.0% following an upbeat market update early in the month. **Data#3** rose 12.4% on little news flow, but a growing appreciation of the significance of a government contract win it had announced in November 2008.

**Lycopodium** was down 26.7% following a profit warning. **Mac Services** (-18.9%) fell on little news flow. **ResMed** was down 14.4% on unfavourable currency movements, despite a good 3<sup>rd</sup> qtr report. **AWB** (-11.6%) delivered its half year result which was still affected by unfavourable seasonal conditions. **Skilled Group** (-8.2%) was softer, despite a significant contract win from Chevron. **Corporate Express** (-7.7%) held its AGM and was down in volatile trading.

## Portfolio Activity

The Fund established positions in **APN News & Media**, **Fleetwood**, and **Corporate Express**. The position in **Breville Group** was added to while we took some profits in **ABB Grain** to fund purchases. Cash amounted to 2.0% at month end.

## Market Comments

We suspect that the market rally of recent months is over done and that a sobering decline is likely over the course of 2009. With a challenging earnings season before us we retain a cautious stance, with our mindset that of a bargain hunter. Our disposition remains risk averse and patient in nature. We see a preponderance of weeds rather than green shoots and suggest that the medium term economic outlook has a Damocletian air about it. On the economic front we remain sensitised to rising unemployment, continuing credit rationing amongst financiers, and an anaemic recovery some way off in the distance. Global governments see their balance sheets bloated with nationalised assets which need be funded; impacting on asset allocation decisions, fixed interest markets & inevitably return perceptions acceptable to investors.

## Performance Statistics (Net of fees)

	Souls Australian Small Co. Fund	ASX Small Ord Acc Index	Difference	ASX Small Ind Acc Index	ASX Small Res Acc Index
1 month %	2.6	7.5	-4.9	2.1	16.7
3 month %	22.4	34.4	-12.0	26.7	48.8
1 year %	-22.4	-38.5	16.1	-36.0	-40.5
2 years % pa	-20.4	-25.7	5.3	-31.0	-12.6
3 years % pa	-1.4	-7.0	5.6	-12.6	8.0
4 years % pa	2.9	1.4	1.5	-4.7	18.9
5 years % pa	6.4	5.3	1.1	0.2	20.1

Past performance is not necessarily indicative of future returns.

## Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 DATA #3	6.0
2 SALMAT	5.8
3 REECE AUSTRALIA	5.2
4 GWA INTERNATIONAL	5.1
5 ARB CORPORATION	5.0
6 ASG GROUP	4.9
7 SMS MANAGEMENT & TECHNOLOGY	4.6
8 SUPER CHEAP AUTO	4.2
9 AUSTBROKERS HOLDINGS	4.0
10 WHK GROUP	3.8
OTHER STOCKS	49.4
CASH	2.0
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

<b>Unit price (redemption) as at 31.05.09</b>	\$2.1383
<b>Unit price (application) as at 31.05.09</b>	\$2.1555
<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.

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](mailto:contact@soulsfm.com.au)

[www.soulsfm.com.au](http://www.soulsfm.com.au)

ABN 78 098 628 605