



Souls Australian Small Companies Fund

Monthly update 31 July 2009

Fund Performance

In July the Fund generated a return of 9.6%, outperforming its benchmark the ASX Small Ordinaries Accumulation Index by 0.6%. The 40.9% rally in the Small Ordinaries in the last six months has been quite acute, with Small Resources up 70.6% and Small Industrials up 28.4% over the period.

International markets all performed strongly in July. The US S&P Index was up 7.4% and NASDAQ up 7.8%. The UK FTSE was even stronger at 8.5%, while the Nikkei was up a more modest 4.0%.

For the year the Fund increased by 3.3% compared to a decline of 17.6% for the S&P/ASX Small Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is 17.6%pa versus a return of 6.4%pa for the Index.

Portfolio Highlights

Specialty Fashion House (30.3%) took another great leap forward from a very oversold position earlier in the year.

Skilled Group (29.0%) announced \$40m in cost savings achieved in 2009, with another \$4m expected for 2010. **APN News & Media** (26.4%) benefitted from improved sentiment towards the media sector, with many media stocks recording strong gains. **Lycopodium** (24.1%) rose following the announcement of EPCM work it won with Fortescue Metals.

GWA International (23.9%) provided a stronger than expected market update with second half sales up 12% on pcp. **ASG Group** (23.3%) rose on better sentiment towards the IT sector.

SDI (-17.8%) fell in volatile trading. **Noni B** (-7.7%) provided a market update indicating tough trading conditions persisted into the 4th qtr. **CPI Group** (-7.7%) fell on no news. **Resmed** (-4.8%) traded softer, suffering both from a switch out of defensives and the strong Australian dollar. **STW Communications** (-2.3%) saw Webjet announcing a joint investment with STW Communications in e-mail marketing firm TaguchiMarketing, with each company taking a 20% stake in the business. **Monadelphous** (-2.2%) ended the month slightly lower following strong recent gains.

Portfolio Activity

The Fund added to positions across the portfolio when valuations were suggestive of attractive returns, and where the scope for wealth destruction was limited. Cash amounted to 3.4% at month end.

Market Comments

Given dramatic movements in equity markets, and amongst most asset classes which embody some element of risk, it would appear likely that a period of consolidation in returns is warranted over the next few months.

A period of sideways movement seems all the more justifiable given uncertainty emanating from earnings season, and the annual re-casting of medium term expectation. On the economic front some further clarity may emerge, both domestically and globally, with investors better placed to determine if green shoots are to bloom or wither before our eyes.

We currently retain a cautious disposition, with a heightened sensitivity to equal measures of capital preservation, returns, and patience.

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 %	9.6	9.0	0.6	7.6	11.6
3 month %	14.8	20.7	-5.9	15.4	30.2
1 year %	3.3	-17.6	20.9	-17.8	-14.2
2 years % pa	-17.6	-20.9	3.3	-26.3	-7.3
3 years % pa	2.1	-3.5	5.6	-9.2	11.5
4 years % pa	5.2	2.0	3.2	-3.7	18.0
5 years % pa	7.1	6.4	0.7	1.3	21.2

Past performance is not necessarily indicative of future returns.

Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 GWA INTERNATIONAL	5.3
2 SMS MANAGEMENT & TECHNOLOGY	5.1
3 ASG GROUP	5.0
4 SALMAT	4.9
5 DATA #3	4.9
6 SUPER CHEAP AUTO	4.8
7 ARB CORPORATION	4.7
8 REECE AUSTRALIA	4.7
9 AUSBROKER HOLDINGS	4.1
10 APN NEWS & MEDIA	3.3
OTHER STOCKS	49.8
CASH	3.4
TOTAL	100.0

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 07	34.32	12.2
June 08	38.82	9.8
June 09	10.06	4.2

*CPU/unit price at beginning of period.

Fund Information

Unit price (redemption) as at 31.07.09	\$2.2934
Unit price (application) as at 31.07.09	\$2.3119
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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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