Souls Australian Small Companies Fund

Monthly update 31 August 2009

Fund Performance

In August the Fund generated a return of 11.7%, against a 6.4% return from the ASX Small Ordinaries Accumulation Index.

International markets again all performed strongly in August. The US S&P Index was up a modest 3.4% and NASDAQ up only 1.5%. The UK FTSE delivered a much stronger 6.5% return, while the Nikkei was up a more modest 1.3%.

In the past year the Fund increased by 5.4% compared to a decline of 14.0% for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 18.6%pa versus a return of 6.9%pa for the Index.

Portfolio Highlights

Lycopodium was up 76.5% as equity market participants reacquainted themselves with the company's strengths and its positive medium term outlook. **BSA** (50.0%) moved to half the broader market multiple post delivery of its FY 2009 result. **SDI** was up 43.2% on an improved result and recommencement of dividend payments. **ASG Group** (31.1%) delivered a solid result with $400m in contracted revenue and a $700m qualified tender pipeline. **Breville Group** (30.0%) rose as the resilience within the company sales base was graphically illustrated with its FY 2009 result. **STW Communications** (24.6%) delivered a result that demonstrated more resilience than had been expected. **Specialty Fashion House** was up 23.9% as it reported a strong, reduced net borrowings materially and saw positive like for like sales growth, above market expectation. Stocks that performed strongly included **Skilled Group** (21.8%), **Fleetwood** (20.7%), **NIB Holding** (20.2%), **Reckon** (19.3%), **NoniB** (17.9%), **Ausenco** (17.5%), **Mac Services Group** (16.6%), **Data#3** (16.1%), and **Super Cheap Auto** (15.5%).

GWA International was down -8.4% having delivered a result that met broader market expectation. **Calliden** (-7.6%) delivered a softer H1 result due to a high incidence of natural disasters and lower investment income.

Portfolio Activity

The fund re-established a position in **Seek**. Positions in **Skilled Group** and **Ausenco** were added to, while some modest profits were taken in **SMS Management & Technology**. Cash amounted to 3.0% at month end.

Market Comments

Returns from the Small Cap. Sector in the last year are a tale of two distinct, character building, halves. A 60.6% rise in the last six months was in contrast to the 12 month cumulative performance of the Small Ordinaries Accumulation Index of -14%. The outworking of the FY 2009 reporting season leads us to believe that many small industrial companies are well placed to grow earnings in the medium term, given aggressively reduced cost structures and some stabilisation in their sales profile. In addition, corporations are now better able to gain access to debt funding, albeit at higher corporate borrowing margins. We suspect that the performance of equity markets over the last 6 months embody a level of euphoria not reflected in the broader economic backdrop, domestically or globally. A period of performance consolidation appears likely before further equity market gains are delivered in the medium to longer term.

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 %	11.7	6.4	5.3	9.4	0.9
3 month %	25.0	19.5	5.5	23.6	12.6
1 year %	5.4	-14.0	19.4	-14.5	-10.3
2 years % pa	-10.7	-16.8	6.1	-21.8	-3.9
3 years % pa	4.3	-2.7	7.0	-7.7	10.9
4 years % pa	7.1	2.5	4.6	-2.6	17.2
5 years % pa	8.4	7.3	1.1	2.5	22.2

Past performance is not necessarily indicative of future returns.

Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 ASG GROUP	5.7
2 SUPER CHEAP AUTO	4.8
3 DATA #3	4.7
4 SALMAT	4.5
5 REECE AUSTRALIA	4.5
6 SKILLED GROUP	4.5
7 ARB CORPORATION	4.3
8 SMS MANAGEMENT & TECHNOLOGY	4.1
9 GWA INTERNATIONAL	4.0
10 AUSTBROKER HOLDINGS	3.9
OTHER STOCKS	52.0
CASH	3.0
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 31.08.09	$2.5616
Unit price (application) as at 31.08.09	$2.5823
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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