



## Souls Australian Small Companies Fund

Monthly update 31 October 2009

### Fund Performance

In October the Fund returned 2.8%, against a ASX Small Ordinaries Accumulation Index benchmark return of -1.2%. International markets took a breather in October.

The US S&P Index was down 2.0% and the NASDAQ dropped 3.6%. The UK FTSE was down 1.7%, while the Nikkei was down 1.0%.

In the past year the Fund increased by 45.8% compared to a rise of 39.7% for the S&P/ASX Small Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is 19.4%pa versus a return of 7.1%pa for the Index.

### Portfolio Highlights

**Breville Group** was up 42.4% after receiving a 4 for 1 scrip takeover offer from GUD. **SDI** (32.0%) noted a capacity to increase sales to \$100m over the next few years with only minor equipment investment needed to achieve this figure, compared to \$56.4m in 2009. **PlanB** (25.4%) rose on a strong performance of equity markets during 1<sup>st</sup> qtr fiscal 2010, which saw its FUMA increase 12.5% to \$2.06b. **Specialty Fashion House** was up 20.6%, with AGM commentary suggesting positive trading conditions for the first four months of the financial year. **Skilled Group** rose 15.4% reporting a 7% lift in weekly hours sold for the new year. **BSA** gained 13.6%, delivering confident AGM commentary. **Reckon** (11.3%) continued to perform well, as it is expected to benefit from stronger discipline of its major – now privatised – competitor.

**Auscenco** was down 16.1% despite highlighting that it is currently undergoing a significant business transformation.

**Fleetwood** (-13.5%) was softer, as the market remains concerned about margin pressure on its manufacturing accommodation division, despite an expectation of an improvement in Recreational Vehicles. **Count Financial** (-11.6%) traded lower despite stronger equity market performance. **Super Cheap Auto Group** was down 10.0%, with investors already anticipating a continued stellar performance of its two major divisions, which both reported double digit like for like sales growth for the first 17 weeks of the financial year.

### Portfolio Activity

The **Seek** position was sold in October whilst exposure to **Auscenco** and **Fleetwood** was increased, given their attractive medium term outlook and assessed values well above current trading levels. Cash amounted to 3.5% at month end.

### Market Comments

In October equity market behaviour was a tale of two distinct halves. At the start of the month signs of investor enthusiasm were abundant with indicators of a stabilising economy sufficient justification for further re-weighting into equities. As the month wore on, expectation of a rising interest rate curve became the accepted norm, the quality and durability of an economic recovery was starting to be questioned, and the rise of the Australian dollar led to negative adjustments in analyst earnings expectations. In the short term we maintain a cautious stance. At this juncture the 'sugar high' delivered from global stimulatory initiatives is likely to dissipate and valuations leave modest scope for further short term re-rating, given a Small Ords that has risen 39.7% over the last year. In the longer term the economic fundamentals of the Australian economy remain compelling, particularly given our proximity to the multi decade growth to be generated out of Asia. We continue to apply our process diligently, maintaining a patient mindset to an investment time horizon focused on medium to longer term returns.

### 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 %	2.8	-1.2	4.0	-1.2	-1.1
3 month %	24.0	10.4	13.6	15.6	1.5
1 year %	45.8	39.7	6.1	29.2	69.7
2 years % pa	-9.0	-19.2	10.2	-21.6	-13.5
3 years % pa	4.2	-4.2	8.4	-8.3	7.2
4 years % pa	9.9	3.3	6.6	-1.5	17.8
5 years % pa	8.3	6.0	2.3	1.8	19.0

Past performance is not necessarily indicative of future returns.

### Portfolio Structure (Top 10 holdings)

Stock	% of Fund
1 SKILLED GROUP	4.9
2 ARB CORPORATION	4.6
3 REECE AUSTRALIA	4.5
4 DATA #3	4.4
5 SALMAT	4.3
6 ASG GROUP	4.1
7 GWA INTERNATIONAL	4.0
8 SMS MANAGEMENT & TECHNOLOGY	3.9
9 AUSTBROKER HOLDINGS	3.6
10 SUPER CHEAP AUTO	3.6
OTHER STOCKS	54.6
CASH	3.5
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

<b>Unit price (redemption) as at 31.10.09</b>	\$2.8428
<b>Unit price (application) as at 31.10.09</b>	\$2.8657
<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.

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

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

ABN 78 098 628 605