



Souls Australian Small Companies Fund

Monthly update 30 November 2009

Fund Performance

In November the Fund returned 1.3%, against an ASX Small Ordinaries Accumulation Index benchmark return of 1.8%. International markets mostly rose in November.

The US S&P Index was up 5.7% and the NASDAQ up 4.9%. The UK FTSE was up 2.9% while the Nikkei bucked the positive trend and was down 6.9%.

In the past year the Fund increased by 60.9% compared to a rise of 57.2% for the S&P/ASX Small Ordinaries Accumulation Index. Since inception in May 1998 the Fund's return is 19.3%pa versus a return of 7.3%pa for the Index.

Portfolio Highlights

BSA rose 24.0%, announcing a significant bolt-on acquisition for its Building Services division. **CPI Group** was up 20.0%, as the company contained costs in a tough market environment. **Specialty Fashion House** was up another 15.4% following last month's 20.6% rise, as the company pointed to improved trading conditions, a sentiment that was echoed by other retailers. **Data #3** rose 14.2%, with AGM commentary indicating another record half year result being in store for 1H 2010. **ASG Group** (13.5%) also rose, as it flagged its imminent expansion into the SAP market, as the underlying business continues to deliver double digit earnings growth. **IOOF Holdings** (10.1%) significantly increased earnings guidance at its AGM, as synergies from the Australian Wealth Management merger and more buoyant equity markets boosted business performance. **SMS Management & Technology** (+8.6%) rose on no news flow, but in line with most other IT service providers who did well in November, as corporate customers continue to spend on IT and the Federal Government hiatus on IT spend is well and truly over.

Auscenco (-13.3%) downgraded its full year earnings guidance as contract delays continue to put pressure on earnings, while the company remains positioned for growth. **Adelaide Brighton** was down 12.3%, confirming previous earnings guidance during the month. **STW Communications** (-10.7%) announced the departure of its new CFO, following his recent appointment in August. **SDI** (-9.1%) took a breather following a strong rise in October.

Portfolio Activity

Positions in **Skilled Group**, **ARB Corporation**, **ASG Group**, **Reece Australia**, **Data#3**, **NIB**, **Super Cheap Auto Group** and **BSA** were trimmed. Cash at bank amounted to 0.8% at month end.

Market Comments

The share market rally over recent months and the ease with which balance sheets have been recapitalized, as well as broadly encouraging economic data, might have lulled investors into a certain sense of security.

However, the shock Dubai World announcement towards the end of the month, in which it stated that it sought to defer debt repayments by six months, illustrates that the recovery is fragile and that there will be some bumps along the road. A glut of capital raisings over previous months ought not to diminish investor vigilance with respect to balance sheet weakness.

We remain sensitised to financial leverage during a period of fragile economic recovery, with a number of stocks now already having priced in a recovery of operational earnings.

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 % | 1.3 | 1.8 | -0.5 | -1.1 | 7.4 |
| 3 month % | 12.4 | 5.6 | 6.8 | 4.5 | 8.1 |
| 1 year % | 60.9 | 57.2 | 3.7 | 41.7 | 99.4 |
| 2 years % pa | -8.2 | -16.9 | 8.7 | -20.6 | -8.5 |
| 3 years % pa | 3.2 | -4.9 | 8.1 | -9.7 | 8.2 |
| 4 years % pa | 9.1 | 3.0 | 6.1 | -2.4 | 18.9 |
| 5 years % pa | 7.2 | 5.8 | 1.4 | 0.9 | 20.5 |

Past performance is not necessarily indicative of future returns.

Portfolio Structure (Top 10 holdings)

| Stock | % of Fund |
|--------------------------------------|-----------|
| 1 DATA #3 | 5.1 |
| 2 SKILLED GROUP | 4.7 |
| 3 ASG GROUP | 4.5 |
| 4 SMS MANAGEMENT & TECHNOLOGY | 4.5 |
| 5 REECE AUSTRALIA | 4.2 |
| 6 SALMAT | 4.2 |
| 7 ARB CORPORATION | 4.1 |
| 8 GWA INTERNATIONAL | 4.1 |
| 9 AUSTBROKER HOLDINGS | 4.0 |
| 10 SUPER CHEAP AUTO | 3.7 |
| OTHER STOCKS | 57.3 |
| CASH AT BANK | 0.8 |
| NET PAYABLES (not due until January) | -1.2 |
| 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 30.11.09 | \$2.8795 |
| Unit price (application) as at 30.11.09 | \$2.9028 |
| 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