

CELESTE

Funds Management

Celeste Australian Small Companies Fund

Monthly update 31 March 2011

Fund Performance

In March the Fund was steady while the ASX Small Ordinaries Accumulation Index benchmark was down 0.26%. Global equity markets were mostly down in March with the US S&P Index down 0.1%, the NASDAQ steady, the UK FTSE down 1.4% and the Nikkei down 8.2% following the natural disasters in Japan. In the past year the Fund increased in value by 15.5%, net of all fees, compared to a rise of 13.5% for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 19.0% pa versus a return of 7.8% pa for the Index.

Portfolio Highlights

Imdex rose 14.4%, as it reported continued strong operating conditions across all its markets and services, with its rental tool fleet utilisation running 35% above prior peak level. Imdex's March purchase of the European based Mud-Data increases the group's exposure to the geothermal, oil and gas sectors.

Austbrokers was up 9.0% as the market digested the outstanding result it delivered at the end of February. Prospects for Austbrokers look excellent given continued organic growth, industry consolidation and premium rate increases following recent natural disasters.

A number of stocks performed strongly following their interim results, despite little news flow during March, including **Lycopodium** up 8.9%, **ARB Corporation** up 7.8%, and **RCR Tomlinson** up 5.3%.

Monadelphous was up 6.8%, as it is a likely beneficiary of BHP Billiton's incremental \$7.4b investment in WA iron ore projects announced during the month, following similar announcements from Rio Tinto during February.

Salmat was down 13.3% after announcing that Telstra had terminated the company's call centre contracts. The contract terminations will cost Salmat some \$4m - \$5m per annum, the equivalent of some 3% of FY 2012 EBITDA.

Portfolio Top 5 Holdings

Stock	% of Fund
1 DULUXGROUP	4.4
2 SKILLED GROUP	4.4
3 BREVILLE GROUP	4.2
4 IOOF HOLDINGS	4.2
5 PLATINUM ASSET MANAGEMENT	4.1

Market Comments

Tragedy and acute 'intra month volatility' were the defining features of March 2011. Whilst the S&P /ASX Small Ordinaries Index fell 0.26% over the month, the journey over the period saw the market whip saw some 8.9%. Whilst the rebound in sentiment is impressive we find the volatility exhibited during March as worrying, and may be a harbinger of volatility to be experienced in coming months.

Events in Japan were catastrophic, tragic in nature and will percolate through global supply chains and growth assumptions in coming months. In addition the Fukushima disaster, and rekindled nuclear debate, is having ramifications well beyond Japan as evidenced by the Christian Democrats in Germany losing the previously 'rusted on' conservative industrial heartland seat of Baden – Württemberg for the first time in over 58 years.

In Europe, Portugal & Greece suffered further downgrading of their sovereign debt to BBB- & BB- respectively, whilst stress testing of Irish banks concluded that a further 24 billion € was required to fortify sector balance sheets.

In Asia the People's Bank of China raised the banking sectors RRR (Required Reserve Ratio) for the ninth time since the start of 2010 in a further attempt to stem loan demand. Inflation concerns gained further gravitas in March with the South Korean CPI increasing to 4.7% in the month whilst in Vietnam consumer prices rose 13.9%. On the domestic economic front Dec. 2010 quarter GDP data was lacklustre, and further underpinned the case for no further domestic interest rate increases in coming months.

During periods of market volatility we remain focused on methodically executing our investment process and on identifying attractive investment opportunities.

Performance Statistics (Net of fees)

	Celeste Australian Small Co. Fund	ASX Small Ord Acc Index	Performance	ASX Small Ind Acc Index	ASX Small Res Acc Index
1 month %	+0.0	-0.3	+0.3	+1.4	-2.3
3 month %	+5.1	-1.2	+6.3	+2.2	-5.2
1 year %	+15.5	+13.5	+2.0	+5.8	+26.5
2 years % pa	+39.0	+33.9	+5.1	+27.8	+44.1
3 years % pa	+10.3	-0.9	+11.2	-3.2	+3.4
5 years % pa	+9.5	+2.8	+6.7	-2.1	+14.8
10 years % pa	+15.9	+9.9	+6.0	+6.2	+21.6

Past performance is not necessarily indicative of future returns.

Fund at a Glance

Fund Information

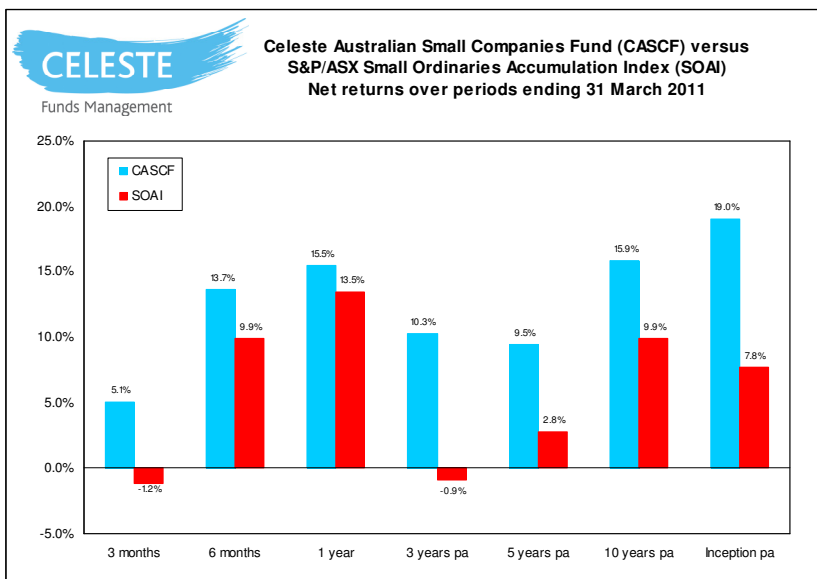
Primary Investments	Shares in listed Australian smaller companies
Investment objective	Small Ordinaries Acc Index + 5% p.a. over rolling 3 years
Unit price (redemption) as at 31.03.2011	\$3.2318
Unit price (application) as at 31.03.2011	\$3.2579
Fund Size	\$107m
Minimum investment	\$25,000
Minimum additional 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*	0.95%
Performance fee**	20% of return above benchmark
OGFM***	0.95% 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 0.95% p.a. for the duration of the PDS.

Fund Returns



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Distribution History

Total distribution year ended	Cents Per Unit	Annual Yield %*
June 99	3.07	2.9
June 00	17.37	11.3
June 01	13.88	7.8
June 02	27.17	14.2
June 03	7.01	3.9
June 04	21.71	11.2
June 05	49.48	19.5
June 06	18.88	7.3
June 07	34.32	12.3
June 08	38.82	9.9
June 09	10.06	4.2
June 10	18.70	8.9

*CPU/unit price at beginning of period.

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