

Celeste Australian Small Companies Fund

Performance Statistics (Total Returns net of fees)

	1 mth %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.	15 yrs % p.a.
Celeste Aust. Small Co. Fund	+9.5	+8.7	+7.6	+10.8	+6.5	+7.5
Performance (relative to Index)	-0.8	+2.7	+0.9	+0.1	+2.3	+3.2
S&P/ASX Small Ords Acc Index	+10.3	+6.0	+6.7	+10.7	+4.2	+4.3
S&P/ASX Small Incls Acc Index	+10.1	+3.2	+7.3	+9.2	+9.0	+5.3
S&P/ASX Small Res Acc Index	+10.9	+18.2	+4.4	+19.1	-6.8	+1.4

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Portfolio Commentary

The Fund rose 9.5%¹ in November, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index increasing by 10.3%. Since inception (May 1998) the Fund's return is 13.1% pa¹, net of all fees, against the Index's 6.0% pa.

Monadelphous (MND) rose 40% in November post its AGM noting 1h21 revenues would be up +10% on 2h20. The Maintenance Division has recovered steadily post Covid-19, with annual revenues now +\$1b, compared to \$620m in FY15. The Engineering Construction Division has secured \$715m in contracts, of which \$155m were subsequent to year end, compared to FY20 sales of \$616m. Covid-19 impacted employee numbers of 5,500 now sit above 6,500, a further indicator of growing demand for MND's offering. We remain positively disposed to MND.

At the end of the month, **WPP AUNZ** announced it had received an unsolicited offer of \$0.55/share from major shareholder and parent entity WPP plc. While the offer price represents a 34% premium to the prior closing price of \$0.41, we believe the bid is opportunistic and materially undervalues emerging transformation benefits.

Money3 (MNY) performed strongly during the month, with the share price rising 31%. During the month MNY announced it had secured a new lending facility of \$250m from a global A+ rated bank. This represents a significant milestone for MNY as it validates the strength of MNY's business model, in particular its cash collection processes. We expect the new facility will allow MNY to pursue further loan book growth and at the same time meaningfully reduce the company's overall cost of funding.

Integrated Research (IRI) fell 7% in the month post AGM guidance that Covid-19 contract signing delays and currency would impact 1h21 profit. While it's disappointing that the exact timing of the contract revenues have not fallen into 1h21, we believe the value inherent in the stock is more driven by the ability to win ongoing new contracts rather than the specific timing of their delivery. We think the IRI sell-off presents an opportunity and the stock is undervalued.

Event Hospitality & Entertainment (EVT) rose 30% driven by investor enthusiasm for Covid-19 recovery stocks. Management continues to run the business in a very pragmatic way and alter the strategy for the cinema, hotel and resort assets around state regulatory changes and improving demand. With significant asset backing we see further share price upside as revenues improve and tightly managed costs deliver significant earnings leverage.

Portfolio Top 5 Holdings

Stock	% of Fund
1 STEADFAST GROUP	3.9
2 LIFESTYLE COMMUNITIES	3.6
3 ECLIPX GROUP	3.5
4 MONADELPHOUS GROUP	3.5
5 OMNI BRIDGEWAY	3.4

Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	+10.2	-0.1	+7.5
USA – S&P 500	+10.8	+15.3	+11.0
USA – NASDAQ Composite	+11.8	+40.8	+21.1
Europe – FTSE (UK)	+12.4	-14.7	-5.1
Europe – DAX (Germany)	+15.0	+0.4	+0.7
Asia – Nikkei (Japan)	+15.0	+13.5	+5.2
Asia – Shanghai Composite (China)	+5.2	+18.1	+0.7

Source: IRESS

Market Commentary

Equity markets in November were very strong reacting to multiple Covid-19 vaccine approvals and improved clarity on the US election. The announcement over the month from Pfizer, Moderna & AstraZeneca now brings to five the global alternatives to prevent the ongoing spread of the Covid-19 virus. While some claims still need an efficacy reconciliation, the next phase will be the ramp up to full scale industrialised production to vaccinate the world. Despite the clear obstacles ahead, markets reacted positively to a world more likely to get back to normal (at some stage) and drove a growth-to-value rotation. This translated into stronger financial and REIT stocks at the expense of the online stay home retailers, gold miners and the auto stocks. Simmering trade tension between Australia and China has the potential to impact revenue lines across the market as restrictions cover a wide array of sectors such as coal, barley, copper concentrate, sugar, wine, timber and select seafood. How much of this is posturing versus real remains to be seen.

The US election result iterated its way to a messy conclusion. The current President refuses to concede despite multiple court cases and challenges around counting, voting and fraud finding no issues. The Electoral College is set to vote on 14th December and this will set in motion the Congress count on January 6th and Inauguration on the 20th January. Market clarity improves daily as new appointments are announced for the Biden administration.

On 3rd November, the RBA cut rates by 15bp to 10bp, a record low aimed at providing additional monetary policy support for economic growth. The RBA announced a \$100bn QE program and yet despite this, the AUD rallied 4.9% against the USD to end the month at 0.7383. Yields on 10 year Aussie bonds rose +7bp to close at 90bp.

Globally, Covid-19 cases continued to skyrocket across Europe, a sombre extension of the growing second wave. France, Germany, Italy, Spain and the UK extended and expanded nationwide partial or full mobility restrictions in an attempt to limit hospitalisations. Increasing citizen unrest has followed these new restrictions. The US saw its 3rd wave reach new heights with over 100,000 daily new cases recorded since 7th November. While the incoming President has a Covid-19 action plan, the inability to implement it until after the inauguration on 20th January is likely to see daily numbers exceed 200,000 on a sustained basis over the winter months.

With the future path to economic recovery dependent on both Covid-19 containment and the delivery of the vaccination program, we expect equity markets to display elevated levels of volatility in the short term. We acknowledge that the level of current fiscal and monetary stimulus creates an economic backdrop that is unprecedented, and highly accommodative. We maintain a cautious disposition given broader equity market valuations, and will add to the portfolio in a process consistent manner, when valuations are appropriately compelling.

Fund at a Glance

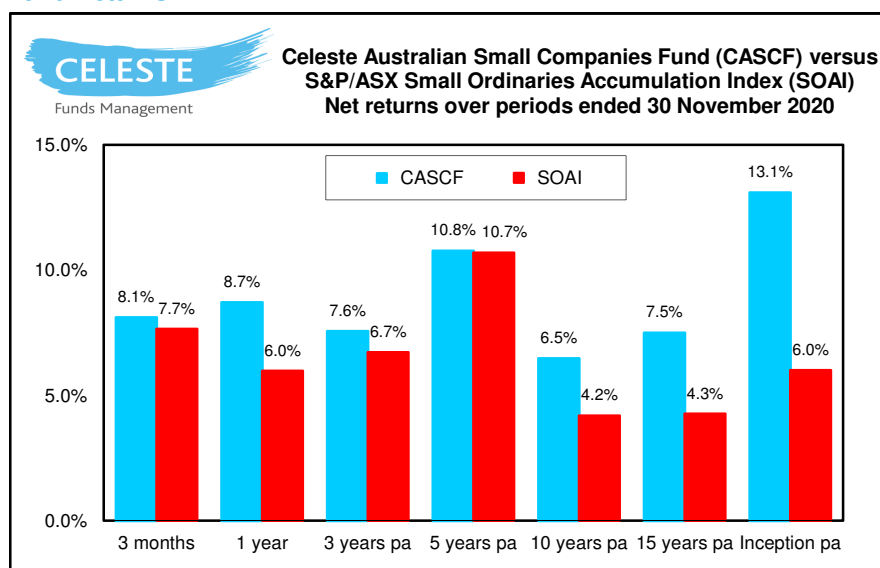
Fund Information

Primary Investments	Shares in listed Australian smaller companies
Investment objective	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
Unit price (redemption) as at 30.11.2020	\$3.9661
Unit price (application) as at 30.11.2020	\$3.9900
Fund Size as at 30.11.2020	\$74m
Minimum investment	\$25,000
Minimum additional investment	\$1,000
Minimum balance	\$15,000
Redemption will generally be available in	7 days
Distributions	30 June and 31 December
Entry fee*	0%
Exit fee*	0%
Buy/Sell differential*	0.30%
Management fee*	1.10% p.a
Performance fee**	20% of return above benchmark

* 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.

Fund Returns



Distribution History

Total distribution year ended	Cents Per Unit	Annual Yield %**
June 11	11.89	4.6
June 12	4.07	1.4
June 13	15.81	5.5
June 14	14.56	5.4
June 15	12.67	4.5
June 16	9.95	4.0
June 17	6.87	2.6
June 18	7.01	2.2
June 19	10.46	2.9
June 20	9.51	2.8

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** CPU / unit price at beginning of period

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Celeste 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@celestefunds.com.au

www.celestefunds.com.au

ABN 78 098 628 605