

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	+0.5	+11.6	+8.1	+13.9	+6.4	+7.7
Performance (relative to Index)	+0.8	+6.2	+1.4	+2.3	+2.4	+3.6
S&P/ASX Small Ords Acc Index	-0.3	+5.4	+6.7	+11.6	+4.0	+4.1
S&P/ASX Small Incls Acc Index	+0.2	+1.9	+7.5	+9.9	+8.6	+5.3
S&P/ASX Small Res Acc Index	-1.9	+20.4	+4.0	+20.8	-6.6	+0.6

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Portfolio Commentary

The Fund rose 0.5%¹ in January, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index decreasing by 0.3%. Since inception (May 1998) the Fund's return is 13.3% pa¹, net of all fees, against the Index's 6.1% pa.

ARB Corporation (ARB) rose 14.1% in January, after updating the market on its 1H21 performance. ARB noted that its first half sales to Dec. 31st 2020 were \$284m, an increase of 21.6% on the prior period. Pre-tax profit, excluding non-recurring government benefits, would be between \$60m and \$62m, up some 70% on the previous corresponding period. ARB is benefiting from a very strong sales environment as Covid-19 stymies international travel and fuels the 'holiday at home' trend. ARB has noted a positive short-term outlook, based on a strong customer order backlog, with December 2020 another record sales month. We anticipate that 2H21, will see ARB sales and earnings higher than H1, with earnings upgrades likely to percolate through the market in coming months. ARB remains well placed in the medium to longer term, as new model SUV releases underpin revenue growth, and as auto companies try to spur sales with branded exclusive accessory packages. We remain positively disposed to ARB, to its iconic brand, its intellectual property/engineering skill sets, and to its ability to continue to grow into a global market.

Telco services provider, **Aussie Broadband (ABB)** rose 24.1% in Jan. on the back of an update detailing strong growth in subscriber numbers and profitability. ABB is on track to comfortably exceed FY21 prospectus forecasts with continued market share gains in both residential and business NBN markets. Targeted capex to lower costs coupled with excellent customer service & reliable high speeds should see higher ABB profitability over the next few years.

During the month, **Autosports Group (ASG)** rose 22.8% after providing an update with respect to guidance for 1H21 profits. Due to improved trading conditions, ASG expects underlying profits before tax to be in the range of \$25-26m vs management's prior expectations provided in November of \$16-17m. ASG's exposure to the Luxury & Prestige end of the Australian automotive market, positions the company favourably for a continued recovery in demand for new and used cars, with the stock attractively priced given the multiple it is trading on relative to listed peers.

Clover Corporation (CLV) declined 9.9% on no real news. Recent discussion has centred around the short term volume slippage for most infant formula manufacturers from a weaker Daigou channel post Covid-19 disruptions. We think that the long term trend of DHA addition to infant formula, UHT milk and other food products means that demand and profitability at CLV will grow over the medium term. We used the Jan. share price weakness to add to our position.

Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	+0.3	-0.7	+7.7
USA – S&P 500	-1.1	+15.2	+9.6
USA – NASDAQ Composite	+1.4	+42.8	+20.8
Europe – FTSE (UK)	-0.8	-12.1	-5.3
Europe – DAX (Germany)	-2.0	+3.6	+0.6
Asia – Nikkei (Japan)	+0.8	+19.2	+6.2
Asia – Shanghai Composite (China)	+0.3	+17.0	+0.0

Source: IRESS

Market Commentary

The Small Ords Accumulation Index had a volatile January, rallying strongly for most of the month, +3.3% at its peak, only to sell off aggressively at month end, finishing down 0.3%.

On January 20th, Joseph Robinette Biden Jr became the 46th President of the United States. The Presidential inauguration occurred against a backdrop of civil insurrection with a Pro Trump mob storming the US Capitol complex. In the medium term, we anticipate that a Biden led US government will be more conventional and considered than its immediate predecessor, traits that we believe will be beneficial to an improving trade backdrop, global growth, and lead to a reduction in the delivery of policy via twitter feeds. Since inauguration, President Biden has hit the ground running, issuing nearly as many executive actions as Trump and Obama did in the same period combined, with Biden enacting 25 executive orders, 10 presidential memos, and 4 proclamations within his first 12 days in office.

Equity market sentiment remains inextricably linked to Covid-19 news, be it infection rates, lockdowns, or increasingly, the rollout of vaccination programs. As at February 3rd, some 1.3% of the global population has been vaccinated for Covid-19, including 9.6% of the USA, 14.4% of the UK and 57.6% of Israel. Whilst the timing and execution of vaccination programs is laden with challenges, we think that investors expect the bulk of the first world will be vaccinated during H2 of 2021, with equity and fixed interest markets priced accordingly. An emerging risk for investors, and a factor weighing on our contemplations, is the evolution of the Covid-19 virus, as variants have emerged in Britain, South Africa and Brazil, and at this juncture existing vaccine efficacy on the variants is an unknown.

In the short term, we anticipate that a continuation of significant monetary and fiscal support will act as a backstop to investor concerns, as Government stimulus packages and accommodative Central bankers provide an uber-supportive backdrop to the delivery of an effective Covid-19 health response. Whilst valuations remain extended in a historic context, and speculative euphoria is evident in a number of risk assets, we remain focused on the execution of our process and on the appropriate pricing of risk. We look forward to the opportunities that 2021 will inevitably present.

Portfolio Top 5 Holdings

Stock	% of Fund
1 ARB CORPORATION	3.8
2 STEADFAST GROUP	3.8
3 MONADELPHOUS GROUP	3.7
4 CODAN	3.7
5 BREVILLE GROUP	3.6

Fund at a Glance

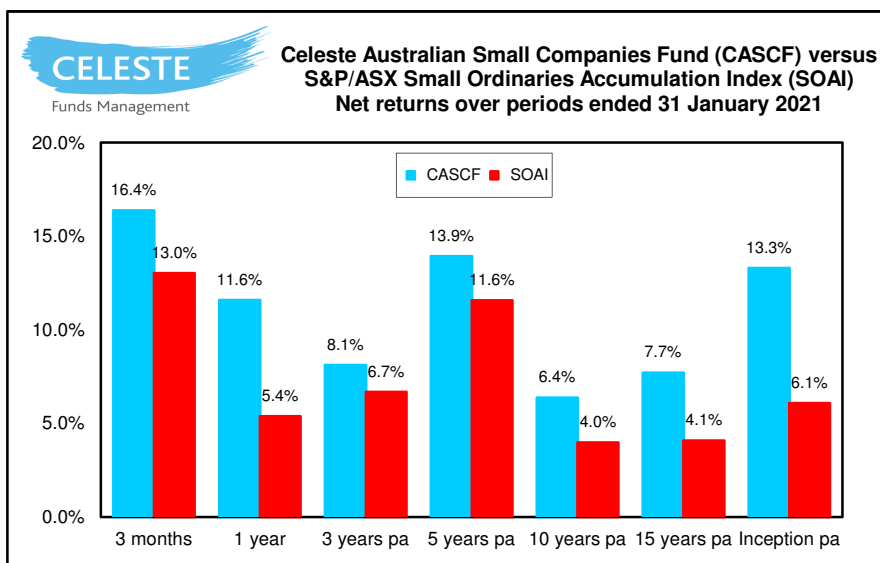
Fund Information

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 31.01.2021	\$4.2132
Unit price (application) as at 31.01.2021	\$4.2385
Fund Size as at 31.01.2021	\$79m
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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