

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	+7.1	+58.0	+10.9	+14.0	+7.3	+7.7
Performance (relative to Index)	+2.1	+18.2	+1.8	+2.9	+2.4	+3.8
S&P/ASX Small Ords Acc Index	+5.0	+39.8	+9.1	+11.1	+4.9	+3.9
S&P/ASX Small Incls Acc Index	+3.9	+37.9	+10.1	+10.4	+9.2	+5.3
S&P/ASX Small Res Acc Index	+9.5	+47.5	+5.8	+14.3	-5.4	+0.2

Past performance is not indicative of future returns. Total returns shown for the Celeste Australian Small Companies Fund has been calculated using exit prices after taking into account all of the Fund's ongoing fees and assuming reinvestment of distributions. No allowance has been made for entry fees or taxation.

Portfolio Commentary

The Fund rose 7.1%¹ in April, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index increasing by 5.0%. Since inception (May 1998) the Fund's return is 13.6% pa¹, net of all fees, against the Index's 6.3% pa.

Monadelphous (MND) rose 22.6% in April after reaching an out-of-court settlement with Rio Tinto over a fire at RIO's Cape Lambert iron ore processing facility. MND maintains a strong long-term business relationship with RIO, having worked with the company for over 40 years. The Cape Lambert matter is now concluded and the settlement is covered by the proceeds of insurance.

Codan (CDA) rose 15.7% after announcing its acquisition of Zetron for US\$45m, implying an FY22e EBITDA multiple of 7.4x. Zetron is a provider of critical communications systems for regional first responders in North America, primarily the US. The acquisition will complement CDA's existing portfolio in creating an end-to-end solution for public sector critical communications, specifically the growing 'Next Generation 911' market that will be a beneficiary of the Biden administration's proposed \$2 trillion infrastructure bill.

Eagers Automotive (APE) rose 12.0% following an impressive 1Q trading update resulting from strong market dynamics and continued benefits of FY20 cost-out programs. APE also continues to execute on its simplification strategy, announcing the completion of the sale of its Daimler Truck Operations.

Steadfast (SDF) rose 9.5% in April, following a positive trading update which saw an upgrade in guidance for underlying EBITA (\$259-266m vs \$245-255m) and EPS growth (15-20% vs 10-15%). As anticipated, initial guidance for FY21 was conservative given the historic contribution from the second half, with continued premium price increases and accretion coming through from acquisitions made in the last year.

During the month, **Nuix (NXL)** fell 19.8% as FY21 revenue was negatively impacted by a harsher upsell environment and an acceleration of customers migrating to consumption-based contracts. NXL did, however, experience an increase in new customers and a higher-than-expected level of multi-year contract renewals. We see the transition in contract structure as a short-term earnings impact while the strong level of renewals and new customer acquisitions is an endorsement of the NXL offering and should underwrite earnings growth in the medium-term.

Bapcor (BAP), **Iress (IRE)** and **Pacific Smiles (PSQ)** also rose during the month with all three providing trading updates. BAP announced business has continued strongly at a similar level to the first half, IRE confirmed their FY21 guidance that they provided in 1Q and PSQ noted their full year figures would fall closer to the top of their guidance range provided in February.

Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	+3.9	+33.9	+10.2
USA – S&P 500	+5.2	+43.6	+16.4
USA – NASDAQ Composite	+5.4	+57.1	+25.5
Europe – FTSE (UK)	+3.8	+18.1	-2.5
Europe – DAX (Germany)	+0.9	+39.4	+6.3
Asia – Nikkei (Japan)	-1.3	+42.7	+8.6
Asia – Shanghai Composite (China)	+0.1	+20.5	+3.8

Source: IRESS

Market Commentary

April provided a platform for the start of a v-shaped recovery in corporate earnings. Despite a lagged start, the vaccine rollout is paving a pathway to a broader economic reopening. Domestic economic data is stronger than anticipated. Employment and hours worked are well above pre-Covid levels, and job ads have remained strong in April despite the end of JobKeeper. The financials and materials sectors have done most of the heavy lifting this year, with the market starting to consider not only a recovery to post-Covid earnings, but the prospect of a cyclical earnings recovery in FY22 and beyond.

Inflation pressure continues to build, driven by the rising cost of commodities and inputs. Semiconductor chip production has been a victim of supply chain disruption, with major production cuts and lost revenues hitting tech giants and the auto sector alike. Iron ore prices are at all-time highs, copper is near its 2011 peak, and oil continues its recovery. Despite emerging cost pressures, inflation currently remains below pre-pandemic levels. It remains to be seen whether there is a transitory spike in inflation as prices recalibrate after the pandemic's initial shock, with the RBA noting underlying inflation is expected to be <2% over the next few years.

The US recovery story is making progress as economic activity ramps up. Consumer spending is becoming more brisk, and real GDP growth is off to a strong start in 2021 with continued support from accommodative fiscal and monetary policy. The Biden administration policy suite remains supportive of long-term growth, with the \$2 trillion proposed infrastructure plan announced in April.

China's recovery appears to be further progressed, with the Chinese economy beginning to normalize. China reported 1Q GDP growth of 18.3%, the fastest growth seen since quarterly records started in 1992, and up from 6.5% in Q4 of 2020. This highlights the divergence between the recovery of developed nations and the emerging world. In India, the Covid caseload has hit 20m, with new cases tracking at over 300,000 per day. As the 5th biggest economy in the world, making up 7% of global GDP, the economic magnitude of this outbreak will not be confined to India alone.

As we approach the FY21 reporting season, Celeste remains process-centric and takes a disciplined approach to valuation.

Portfolio Top 5 Holdings

Stock	% of Fund
1 ARB CORPORATION	3.9
2 STEADFAST GROUP	3.8
3 CITY CHIC COLLECTIVE	3.6
4 EAGERS AUTOMOTIVE	3.5
5 CODAN	3.5

Fund at a Glance

Fund Information

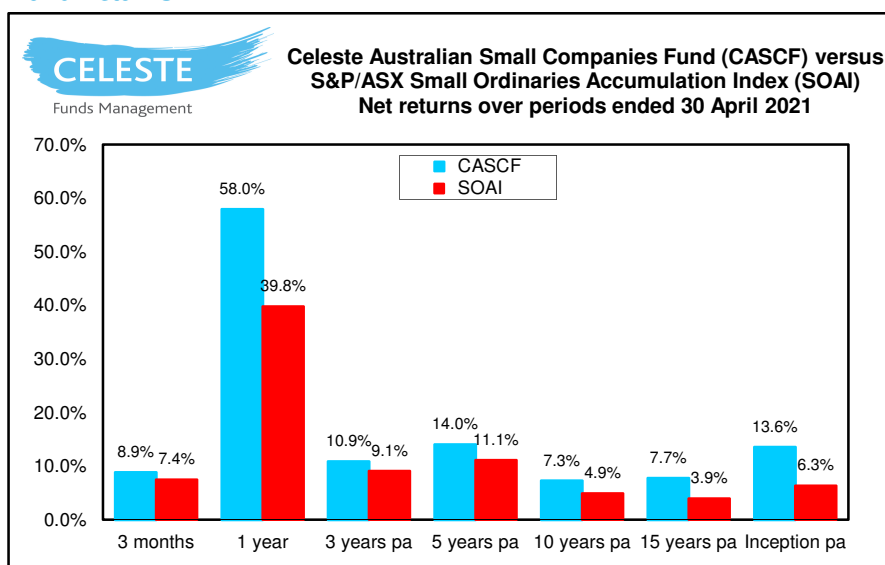
Primary Investments	Shares in listed Australian smaller companies
Investment objective	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
Unit price (redemption) as at 30.04.2021	\$4.5867
Unit price (application) as at 30.04.2021	\$4.6143
Fund Size as at 30.04.2021	\$85m
Minimum investment	\$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

Past performance is not indicative of future returns. Total returns shown for the Celeste Australian Small Companies Fund has been calculated using exit prices after taking into account all of the Fund's ongoing fees and assuming reinvestment of distributions. No allowance has been made for entry fees or taxation.

** CPU / unit price at beginning of period

Celeste Funds Management Limited ABN 78 098 628 605 (AFSL 222 445) is authorised to provide financial product services to wholesale clients. This report is intended to provide only general securities information and is not to be construed as financial product advice, solicitation of an offer to buy or sell any financial product or a recommendation to buy, sell or hold a particular financial product. Accordingly, reliance should not be placed on this report as the basis for making an investment, financial or other decision. The information in this report does not take into account your investment objectives, financial situation or particular needs. Whilst every effort is taken to ensure the information in this report is accurate, its accuracy, reliability or completeness is not guaranteed.

This report has been issued by The Trust Company (RE Services) Limited ABN 45 003 278 831 (AFSL 235 150) (Perpetual) who is the Responsible Entity of and issuer of units in the Celeste Australian Small Companies Fund (Fund). Celeste Funds Management Limited is the investment manager of the Fund. Retail clients can invest in units in the Fund issued by Perpetual. Perpetual is authorised to deal with retail clients and a product disclosure statement (PDS) issued by Perpetual is available from Celeste Funds Management Limited (02) 9216 1800 or at www.celestefunds.com.au. You should obtain and consider the PDS before deciding whether to acquire, or continue to hold, an interest in the Fund. Initial applications for units in the Fund can only be made pursuant to the application form attached to the PDS. Before making any decision to make or hold any investment in the Fund you should consider the PDS in full. You should consider your own investment objectives, financial situation and particular needs before acting upon any information provided and consider seeking advice from a financial advisor if necessary.

¹ Total returns shown for the Celeste Australian Small Companies Fund has been calculated using exit prices after taking into account all of the Fund's ongoing fees and assuming reinvestment of distributions. No allowance has been made for entry fees or taxation. You should not base an investment decision simply on past performance. Past performance is not an indicator of future performance. Returns are not guaranteed and so the value of an investment may rise or fall.

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