

### Celeste Australian Small Companies Fund

#### Performance Statistics (Total Returns net of fees)

|  | 1 mth %     | 1 yr %       | 3 yrs %<br>p.a. | 5 yrs %<br>p.a. | 10 yrs %<br>p.a. | 15 yrs %<br>p.a. |
|--|-------------|--------------|-----------------|-----------------|------------------|------------------|
| Celeste Aust. Small Co. Fund           | -1.5        | +38.2        | +9.3            | +13.8           | +7.3             | +8.1             |
| <b>Performance (relative to Index)</b> | <b>-1.8</b> | <b>+11.5</b> | <b>+1.4</b>     | <b>+3.5</b>     | <b>+2.2</b>      | <b>+3.9</b>      |
| S&P/ASX Small Ords Acc Index           | +0.3        | +26.7        | +7.9            | +10.3           | +5.1             | +4.2             |
| S&P/ASX Small Incls Acc Index          | -0.6        | +25.1        | +8.5            | +9.2            | +9.4             | +5.5             |
| S&P/ASX Small Res Acc Index            | +4.2        | +34.4        | +6.1            | +15.0           | -4.8             | +0.8             |

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#### Portfolio Commentary

The Fund fell 1.5%<sup>1</sup> in May, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index increasing by 0.3%. Since inception (May 1998) the Fund's return is 13.4% pa<sup>1</sup>, net of all fees, against the Index's 6.3% pa.

**Eclix Group (ECX)** rose 8.9% in May after reporting its first set of clean financials post the company restructure. 1h21 results were strong with Cash NPATA up 77% pcp and ahead of market expectations by 28%. We saw further improvement in the balance sheet with net debt falling to \$54m from \$144m pcp. This allowed the Board to commence a \$20m share buyback program. The lack of new car supply globally continues to drive higher end-of-lease income and we expect ongoing improvement in the quality of the earnings stream as new leases written grows.

**BWX (BWX)** rose 8.1% in May after announcing the acquisition of high growth e-commerce retailer Flora & Fauna for consideration of approximately \$29m. Whilst the acquisition is less than 4% of BWX's current market capitalisation, we believe it will be 7%+ EPS accretive from FY22 driven by the expected margin improvement in manufacturing, distribution and back-end synergies. We continue to believe BWX is a multi-year growth story. The Coles, Woolworths and Chemist Warehouse partnerships have added long term growth opportunities. We should expect further critical mass retail partners to be added around the world as the new Clayton manufacturing facility comes online and North America recovers from the depths of Covid.

**Aussie Broadband (ABB)** fell 19.0% in May, reacting to softer than expected residential subscription numbers. In time we expect the market to reassess ABB's recent performance within a broader industry context. The NBN network had its slowest quarter on record for new connections, and installations/repairs have been impacted by the global chip shortage. Despite this backdrop, the ACCC's quarterly NBN data update shows that ABB is the fastest organically growing internet retail service provider, having secured 4.5% of market share. ABB upgraded FY21 EBITDA guidance for the second time since IPO, noting positive interest in its new white label offering.

**Monadelphous Group (MND)** fell 22.5% in May, moving in sympathy with other sector participants. Labour scarcity concerns surrounding the WA mining industry continue to bedevil the sector as Covid 19 border restrictions limit the flow of overseas and FIFO workers. While we do not expect labour constraints to moderate in the near-term, we anticipate MND will benefit from a healthy revenue backdrop, as buoyant commodity prices underpin a strong pipeline of projects into the medium term.

#### Global Index Performance (Accumulation)

|                                    | 1 month % | 1 year % | 3 years % pa |
|------------------------------------|-----------|----------|--------------|
| Australia – S&P/ASX All Ordinaries | +2.0      | +30.0    | +10.4        |
| USA – S&P 500                      | +0.5      | +38.1    | +15.8        |
| USA – NASDAQ Composite             | -1.5      | +44.9    | +22.7        |
| Europe – FTSE (UK)                 | +0.8      | +15.6    | -2.9         |
| Europe – DAX (Germany)             | +1.9      | +33.1    | +7.0         |
| Asia – Nikkei (Japan)              | +0.2      | +31.9    | +9.1         |
| Asia – Shanghai Composite (China)  | +4.9      | +26.8    | +5.3         |

Source: IRESS

On the back of a second reduction to prospectus forecasts, **Nuix (NXL)** declined 33.1% during the month. The reduction in revenue guidance came despite management reaffirming prior guidance to an investor day in the middle of May. NXL's accelerated transition to more consumption based pricing contracts is likely to see materially slower revenue growth over the next 5 years. This slower growth rate will impact NXL's ability to meaningfully scale cash earnings. We exited our position in the stock.

#### Market Commentary

Although sovereign bond yields remained steady in May, rising inflation remains a key concern for investors globally. The US CPI figure came in at 4.2% for the 12 months to April, the largest 12-month increase seen since September 2008. Resilient Chinese industrial production combined with global monetary and fiscal stimulus, continued to drive commodity prices higher, with the iron ore price reaching an all-time high of US\$229.50/t. Surging Covid cases in Asia exposed the uneven global rollout of the vaccine and placed significant constraints on international supply chains. This was exacerbated by severe container shortages, with reports of container costs being up over 500% in the last 12 months.

Domestically, the Federal Government released their FY22 Budget which included \$96bn in additional stimulus. The Budget outlined increased business capex incentives, as well as significant spending on infrastructure and aged care. Households can expect FY22 tax cuts aimed at low-to-middle-income workers, and access to the HomeBuilder construction grant has seen the construction commencement deadline move from 6 months to 18 months. The Budget reiterates the Government's fiscally accommodative stance and will reinforce business and consumer confidence.

The Australian economy continues to build momentum. The Small Ordinaries index had a volatile month, ending flat after being down by over 4% during the month. Resources outperformed Industrials following strength in commodity prices, partly offset by significant labour shortages. The housing market strengthened further with prices continuing to increase. Near-zero interest rates and stimulatory measures contributed to record-high building approvals for detached dwellings and alterations.

Celeste remains process-consistent, and will look to add stocks to the portfolio when valuations are appropriately compelling.

#### Portfolio Top 5 Holdings

| Stock                  | % of Fund |
|------------------------|-----------|
| 1 ARB CORPORATION      | 4.3       |
| 2 STEADFAST GROUP      | 3.8       |
| 3 CITY CHIC COLLECTIVE | 3.7       |
| 4 BREVILLE GROUP       | 3.5       |
| 5 ECLIX GROUP          | 3.4       |

## Fund at a Glance

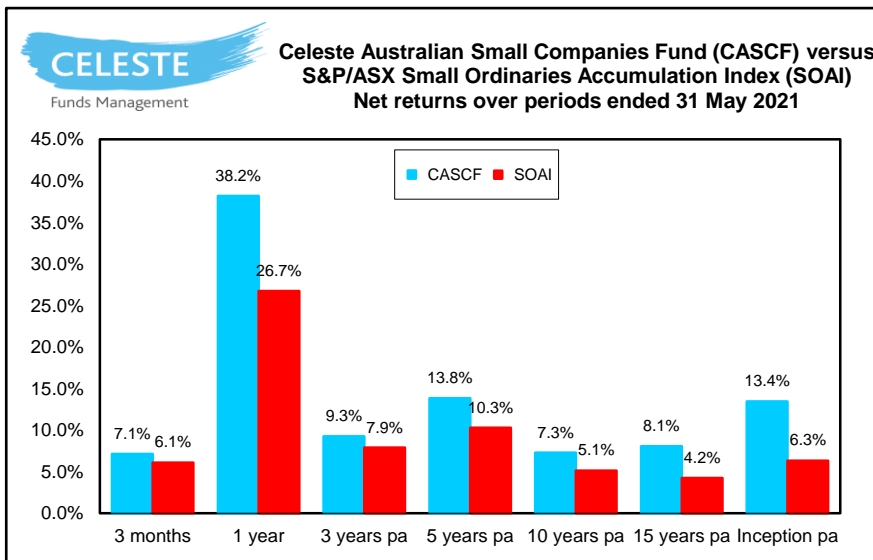
### Fund Information

|   |  |
|---|--|
| 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 31.05.2021  | \$4.5175   |
| Unit price (application) as at 31.05.2021 | \$4.5447   |
| Fund Size as at 31.05.2021                | \$84m  |
| 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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