

### 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	+5.4	+34.3	+12.8	+11.8	+9.0	+8.3
<b>Performance (relative to Index)</b>	<b>+0.4</b>	<b>+4.8</b>	<b>+2.7</b>	<b>+0.8</b>	<b>+2.3</b>	<b>+3.8</b>
S&P/ASX Small Ords Acc Index	+5.0	+29.5	+10.1	+11.0	+6.7	+4.5
S&P/ASX Small Inds Acc Index	+6.1	+27.8	+9.9	+10.3	+11.0	+5.8
S&P/ASX Small Res Acc Index	+0.7	+36.7	+11.3	+14.1	-3.4	+1.1

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#### Portfolio Commentary

The Fund rose by 5.4%<sup>1</sup> in August, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index increasing by 5.0%. Since inception (May 1998) the Fund's return is 13.7% pa<sup>1</sup>, net of all fees, against the Index's 6.7% pa.

**Aussie Broadband (ABB)** rose 40.4% during the month, delivering its maiden FY21 result well ahead of prospectus forecasts with revenues of \$350m (Prospectus: \$338m) and EBITDA of \$19.1m (Prospectus: \$12.6m). The sector faced headwinds with slower-than-expected first time connections to the NBN network. However, ABB captured 26% of new NBN connections during Q4 and secured the highest total customer additions in the sector (+26k customers). While ABB has not provided FY22 guidance, management noted record sales for the month of August, and a potential acquisition in 1H22.

**Infomedia (IFM)** rose 26.7% during the month which saw a positive FY21 result with sales (A\$97.4m vs A\$95-96m) and cash EBITDA (A\$20.4m vs A\$19-20m) delivering on the top end of guidance. Off the back of a challenging 1H21 impacted by lockdowns, IFM saw a strong return to growth in 2H21 due to the delivery of existing contracts and sales contribution from SimplePart. Additionally, new contract deals announced with Ford, Mazda, Audi and BMW represent A\$34m of new multi-year (3-5yr) total contract value. Looking ahead, we believe these deals combined with the full year contribution from SimplePart and continued growth in recurring revenues will underpin FY22 sales guidance of A\$117-\$123m.

**Codan (CDA)** was down 9.8% for the month following a combination of the long-term CEO announcing his retirement, uncertainties surrounding their supply chain, and the initial performance of their newly acquired communications businesses. Despite this, CDA reported an exceptional FY21, with record sales, underlying profit growth of 52% and a return on equity of 36%. The result was primarily driven by ongoing demand in metal detection, with management noting the demand has continued into FY22, experiencing record sales for their GPZ product in July. In terms of their communications business, CDA reiterated that the integration of Zetron and DTC remains on-track and they should meet their previously announced earnings targets.

**Integral Diagnostics (IDX)** fell 12.8% as they reported FY21 results that were below consensus estimates. Covid-inflated employee and consumables costs, as well as the repayment of \$2.9m of JobKeeper, resulted in lower margins. Management also noted a shift in focus towards greenfield and brownfield investments as larger M&A transactions are becoming increasingly expensive with infrastructure investors and private equity players entering the space. The inflated costs are arguably short-term in nature and our thesis around the long-term, defensible cash flows generated within the industry remains unchanged.

#### Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	+2.6	+29.0	+10.6
USA – S&P 500	+2.9	+29.2	+15.9
USA – NASDAQ Composite	+4.0	+29.6	+23.5
Europe – FTSE (UK)	+1.2	+19.4	-1.4
Europe – DAX (Germany)	+1.9	+22.3	+8.6
Asia – Nikkei (Japan)	+3.0	+21.4	+7.1
Asia – Shanghai Composite (China)	+4.3	+4.4	+9.2

Source: IRESS

#### Market Commentary

August reporting season saw a very strong move in the Small Ords, which rose 5.0% for the month. This was a significant outperformance vs the ASX 100 which was weighed down by the iron ore miners & finished the month up only 2.3%. Global markets were strong, driven by US Fed "transitory inflation" reiteration and talk about later QE tapering. Small Industrials were the standout performer up 6.1% significantly outperforming the Small Resources (0.7%). Gold and iron ore exposed small stocks were weaker with strong increases recorded in the lithium exposed names. On a sectoral basis, financials were strong on higher earnings that showed little in the way of provision release support. Consumer discretionary lagged the broader market increase despite strong profit reporting from names like Baby Bunting, Breville and ARB. Some concern still lingers around a possible FY22 profit impact for the sector, as locked down Australians emerge to spend their cash potentially on services. Much of the market fervour was driven by the lockdown positive sectors of Teleco. and Consumer Staples which were up > 8% in Aug. Real estate enjoyed a month in the sun with the broader ASX200 AREIT index up 6.3% despite the reintroduction of the rent deferring leasing code in Victoria and NSW.

Earnings beats versus misses were higher than in past reporting seasons driven by the strong economic recovery post lockdown 1.0. Delivery against earnings expectations wasn't as well rewarded in share price outperformance as in past seasons whereas missing expectations tended to see a much harsher share price reaction. With lockdown 2.0 in Sydney and 6.0 in Melbourne now well underway, many management teams (and boards) were reluctant to give much in the way of forward guidance. They are likely to clarify earnings around AGM season, closer to the potential movement towards staged community freedom. Supply chains remain difficult with covid stop start activity across Asia. Global freight rates have skyrocketed and are hurting the profit margins of those companies that have higher levels of spot freight contracts. On-line purchasing activity continues to remain buoyant, followed by its best friend 'click and collect'. Balance sheets remain in good shape with credit availability high and debt pricing low. Most management teams expect some form of rebound post lockdown with the majority using a tempered guide of the 1.0 exit experience. Forward earnings expectations for FY22 are a merger of the weak lockup 1h22 followed by an exit rebound in 2h22. Most market watchers are likely to look to FY23 earnings as a clean year that forms the basis for company valuations.

#### Portfolio Top 5 Holdings

Stock	% of Fund
1 STEADFAST GROUP	4.4
2 ARB CORPORATION	3.9
3 IRESS	3.6
4 ECLIPX GROUP	3.5
5 EAGERS AUTOMOTIVE	3.4

## Fund at a Glance

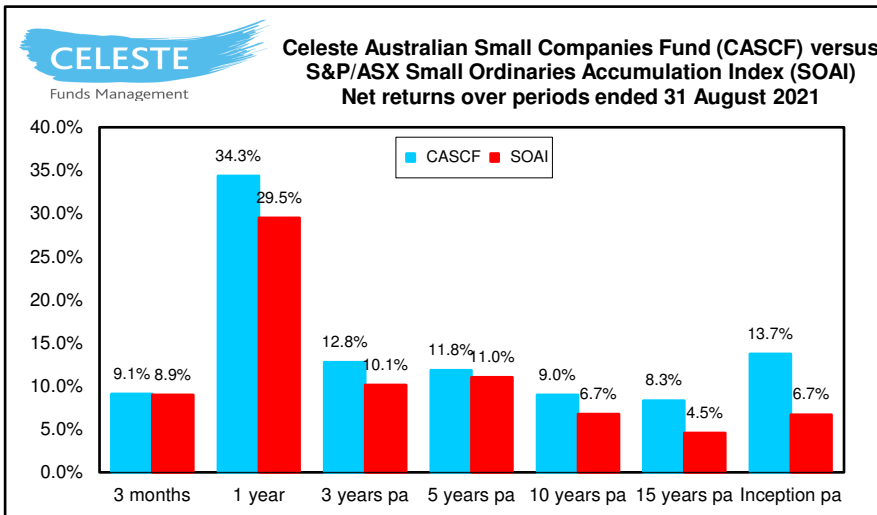
### Fund Information

<b>Primary Investments</b>	Shares in listed Australian smaller companies
<b>Investment objective</b>	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
<b>Unit price (redemption) as at 31.08.2021</b>	\$4.7823
<b>Unit price (application) as at 31.08.2021</b>	\$4.8111
<b>Fund Size as at 31.08.2021</b>	\$92m
<b>Minimum investment</b>	\$25,000
<b>Minimum additional investment</b>	\$1,000
<b>Minimum balance</b>	\$15,000
<b>Redemption will generally be available in</b>	7 days
<b>Distributions</b>	30 June and 31 December
<b>Entry fee*</b>	0%
<b>Exit fee*</b>	0%
<b>Buy/Sell differential*</b>	0.30%
<b>Management fee*</b>	1.10% p.a
<b>Performance fee**</b>	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



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### Distribution History

Total distribution year ended	Cents Per Unit	Annual Yield %**
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
June 21	14.02	4.3

\*\* 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](mailto:contact@celestefunds.com.au)

[www.celestefunds.com.au](http://www.celestefunds.com.au)