

### 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	-2.7	+33.1	+12.2	+10.4	+9.3	+7.8
<b>Performance (relative to Index)</b>	<b>-0.6</b>	<b>+2.7</b>	<b>+2.8</b>	<b>+0.2</b>	<b>+1.6</b>	<b>+3.5</b>
S&P/ASX Small Ords Acc Index	-2.1	+30.4	+9.4	+10.2	+7.7	+4.3
S&P/ASX Small Inds Acc Index	-1.3	+29.1	+9.5	+9.8	+11.6	+5.5
S&P/ASX Small Res Acc Index	-5.4	+36.0	+9.3	+11.7	-2.2	+0.8

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#### Portfolio Commentary

The Fund fell by 2.7%<sup>1</sup> in September, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index decreasing by 2.1%. Since inception (May 1998) the Fund's return is 13.5% pa<sup>1</sup>, net of all fees, against the Index's 6.5% pa.

**Integral Diagnostics (IDX)** rose 8.0% following the announcement of their acquisition of the X-Ray Group, a radiology network located in the Albury-Wodonga region comprising 5 practices, 3 full-time radiologists and 1 full MRI licence. The acquisition will be funded by a mix of cash and scrip, will be accretive in its first year and implies a multiple of 7x normalised EBITDA which we see as reasonable in light of recent M&A activity within the sector. The X-Ray Group network is complementary to IDX's current geographic footprint and should provide opportunities for operational synergies as well as brownfield expansion.

**Smartgroup Corporation (SIQ)** was up 20.9% in September driven by the announcement of an indicative non-binding proposal (the Indicative Offer) from a consortium of TPG Global and Potentia Capital with Aware Super as a co-investor to acquire 100% of SIQ. The Indicative Offer received was \$10.35 per share, representing a 38.6% premium to the SIQ 90-day volume weighted average price. Due diligence is expected to take 4 weeks, with a 2-week optional extension. We believe the Indicative Offer is reasonable and note that the SIQ Board have stated their intention to unanimously recommend the offer to shareholders. There should be scope for the consortium to assist in SIQ's strategy execution, accelerate reinvestment and optimise cost inefficiencies. Notwithstanding the Indicative Offer, we believe that SIQ has strong earnings upside through executing its Smart Futures strategy whilst benefiting from a recovery in its Covid-19 impacted novated lease & salary packaging divisions.

**Aussie Broadband (ABB)** rose 22.3% during the month after undertaking a \$114m share placement, with a \$10m share purchase plan. ABB noted proceeds will be used to: support growth by M&A; for product & tech development; and additional network build. ABB also signed a 10-year fibre swap agreement with VicTrack. The deal allows both parties to swap access to their respective fibre networks. This allows ABB to greatly expand coverage in Victoria, particularly to regional areas, without requiring additional fibre build. We expect ABB will continue to execute on its strategy, adding customers through organic and inorganic growth.

**Iress (IRE)** fell 21.0% during the month after take-over discussions with EQT fell through, with both parties unable to agree on a transaction. It was noted that EQT did not come across any red flags but were not able to sufficiently confirm their investment hypothesis. IRE noted the announcement did not impact their strategy to accelerate growth and returns to shareholders as detailed in their 29 July 2021 investor strategy day. Given IRE's unique position in the financial data space, their renewed disposition to accelerate earnings and returns, we remain positively disposed to the stock and look forward to management executing on their FY25 targets.

#### Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	-1.6	+31.5	+10.4
USA – S&P 500	-4.8	+28.1	+13.9
USA – NASDAQ Composite	-5.3	+29.4	+21.5
Europe – FTSE (UK)	-0.5	+20.8	-1.9
Europe – DAX (Germany)	-3.6	+19.6	+7.6
Asia – Nikkei (Japan)	+4.9	+27.0	+6.9
Asia – Shanghai Composite (China)	+0.7	+10.9	+8.1

Source: IRESS

#### Market Commentary

September was a challenging month for equity investors as the bulk of global equity markets fell, with the Australian market moving in lockstep with the trend. Investors dealt with multiple headwinds in the month. These included: rising bond yields in the USA as the Federal Reserve looked to dial down stimulus measures; the health of the Chinese property market, brought into question as diversified property group Evergrande teetered on the brink of insolvency; and energy shortages/supply chain disruptions fanning investor inflation/stagflation concerns.

Domestically, the Reserve Bank of Australia (RBA) have continued to note that the Delta outbreak will interrupt, not derail, the Australian economic recovery. Whilst the September quarter will see GDP decline materially, it's expected that as vaccination rates increase, and restrictions are eased, the economy will bounce back to its pre-Delta path by H2 of 2022. Interestingly, domestic equity investors appear to have been far more sensitivity to vaccination rates rather than infection rates, suggesting some preparedness to look through shorter term Covid19 data and look towards what a reopened summer could look like.

The RBA continues to state that it will maintain highly supportive monetary conditions to achieve a return to full employment and an inflation rate that is consistent with its target range of 2% to 3%. The RBA's scenario analysis suggests that there is currently no need for the cash rate to increase, and that the preconditions to a rate increase are unlikely till 2024.

Uncertainty over the direction of the Chinese economy grew in September. The financial viability of the Evergrande real estate company, with \$300b of debt, rattled investors. It brought into question the dependency of the Chinese economic growth engine on the real estate sector as it accounts for 29% of China's GDP. China concerns were also in part due to a range of new policy initiatives, including those aimed at curbing financial stability risks and reducing carbon emissions. A greater sensitivity to reducing social inequality with President Xi Jinping's 'common prosperity' objective, is also a concern given the potential for Chinese policy to move from market reform / deregulation to redistribution / re-regulation.

We anticipate equity markets will remain volatile in the short term as valuations remain full, consumers & corporates remain skittish, and Covid19 provides an erratic path to normality. We remain process centric and will look to add to the portfolio when valuation is compelling, and risk & reward is appropriately balanced.

#### Portfolio Top 5 Holdings

Stock	% of Fund
1 STEADFAST GROUP	4.4
2 ARB CORPORATION	3.8
3 CITY CHIC COLLECTIVE	3.4
4 ECLIPX GROUP	3.3
5 EAGERS AUTOMOTIVE	3.2

## Fund at a Glance

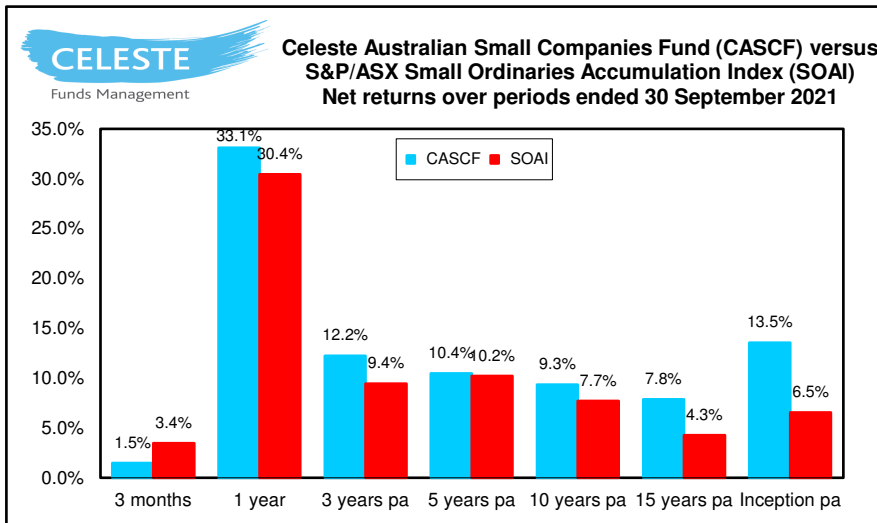
### Fund Information

<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 30.09.2021</b>	\$4.6539
<b>Unit price (application) as at 30.09.2021</b>	\$4.6819
<b>Fund Size as at 30.09.2021</b>	\$90m
<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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