

### 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	+1.3	+14.6	+19.2	+10.5	+9.4	+6.7
<b>Performance (relative to Index)</b>	<b>-0.1</b>	<b>-2.3</b>	<b>+3.5</b>	<b>-0.7</b>	<b>+1.4</b>	<b>+3.3</b>
S&P/ASX Small Ords Acc Index	+1.4	+16.9	+15.7	+11.2	+8.0	+3.4
S&P/ASX Small Inds Acc Index	+0.8	+13.7	+14.4	+10.2	+11.5	+4.6
S&P/ASX Small Res Acc Index	+3.5	+29.1	+20.4	+15.1	-0.8	+0.2

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#### Portfolio Commentary

The Fund rose by 1.3% in December, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index increasing by 1.4%. Since inception (May 1998) the Fund's return is 13.4% pa, net of all fees, against the Index's 6.5% pa.

**HT&E** (HT1) rose 18.3% over the month after partially divesting its 7.26% share in Luxury Escapes. The divestment of 4.1m shares frees up capital, with HT&E receiving \$14.4m in cash proceeds. It is also reflective of HT1's strategy to unlock value in its core radio business. Expanding its radio network by 58 stations, HT&E recently completed its acquisition of Grant Broadcasters for \$307m. Alison Cameron, CEO of Grant Broadcasters, will join HT1's board from 5 January 22. This acquisition allows HT1 to bolster its radio capabilities, target new markets and expand their regional footprint.

**Money3** (MNY) rose 14.5% over the month following positive Q1 commentary at an investor presentation and announcements regarding additional funding. The investor presentation noted a significant rebound in demand following the lifting of lockdowns, stability in the used car market and reiterated their previously announced FY22 profit guidance of \$50m (up nearly 30% on FY21). The announcements related to the securing of mezzanine funding from MA Financial Group (MAF) and a 20% increase in the Credit Suisse warehouse debt facility along with a reduction in the cost of funds. The additional funding will support MNY achieving their FY22 targeted gross loan book figure of \$800m and the addition of MAF diversifies MNY's funding base.

**Breville Group** (BRG) rose 5.4% over the month off the back of its AGM update and a positive Q3 update from international peer, De'Longhi SPA (DLG). While management did not provide a quantitative update to 1h22 expectations, demand was noted as solid and in-line with expectations. The update was supported by Q3 reporting from DLG, highlighting double-digit sales growth in the Americas and MEIA, led by coffee and food preparation products - both primary regions and segments for BRG. Short-term, cost inflation caused by supply chain disruption is a risk, but we believe BRG has the ability to raise prices, as it has done in the past. Longer-term, we believe BRG has a significant opportunity to grow revenue supported by further penetration into new and existing markets, combined with the pandemic's impact on augmenting BRG's addressable market.

**GWA Group** (GWA) rose 7.0% after the announcement of the resignation of its CFO of six years, Patrick Gibson, in late November and the subsequent appointment of Calin Scott as the incoming CFO. Patrick was well regarded and will remain with GWA through the upcoming half yearly results reporting season to handover to Calin. We believe GWA is operationally leveraged to benefit from the strong underlying housing market that is continuing to experience buoyant activity. GWA continues to build equity in its brand portfolio which enables it to pass-through bi-annual price increases on these products.

#### Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	+2.7	+17.7	+14.8
USA – S&P 500	+4.4	+26.9	+23.9
USA – NASDAQ Composite	+0.7	+21.4	+33.1
Europe – FTSE (UK)	+4.6	+14.3	+3.2
Europe – DAX (Germany)	+5.2	+15.8	+14.6
Asia – Nikkei (Japan)	+3.5	+4.9	+12.9
Asia – Shanghai Composite (China)	+2.1	+4.8	+13.4

Source: IRESS

**City Chic** (CCX) fell 8.5% during the month due to concerns of supply chain disruption and elevated freight costs. These factors were noted by US plus-sized competitor, Torrid, in a disappointing 3Q21 update. However, as these concerns have been previously identified by CCX, further selling appears unwarranted. CCX advised they were well-stocked for the peak trading period and with no physical store presence in the US they are also sheltered from the wage inflation and lockdown concerns impacting Torrid's 3Q. With major marketplace partners Amazon, Ebay and The Iconic, we believe CCX is ripe with opportunity as supply chain pressures ease.

#### Market Commentary

The Small Ords rallied +1.4% in December, unable to keep up with ASX100 (+2.8%) and other major global markets as the FTSE (+4.6%), DOW (+5.4%) and S&P (+4.4%). The Small Resources Index (+3.5%) outperformed, with iron ore (+20.1%) rebounding strongly as China's growth prospects improved, in turn helping the AUD to recover from recent lows.

The Omicron variant has been the key issue for global markets in a seasonally quiet month, creating uncertainty around the near-term pace of economic recovery. Many countries globally are experiencing their most severe surge in cases yet, evidence of the variant's higher transmissibility. Domestically, new Covid cases have risen dramatically as state Governments adopt more relaxed policies to 'live with' the virus now that the nation is supported by high vaccination rates.

Despite this, the RBA maintain that the impact of the Omicron variant should not be as significant as the disruptions caused by Delta in the September quarter, and that the domestic economy has and will continue to bounce back strongly. Forward-looking labour indicators pointed to strong employment growth with wage growth also picking up as the labour market tightens further. House price growth had eased recently having risen 22% over 2021 and the outlook for residential construction remains positive. Capital markets have remained healthy and liquid, with a record \$12b worth of IPOs on the ASX in 2021, over \$4b of which were in October alone.

Global supply chains remain disrupted and are amplified by ongoing buoyant demand in what is somewhat of a vicious cycle as businesses pre-order supplies further into the future to ensure their customers' needs are met. As such inflation continues to be a key concern for investors in 2022. Central banks have shifted to more hawkish commentary with many flagging a quicker tapering of QE measures and Chairman Powell retiring the use of 'transitory' in classifying the inflation.

#### Portfolio Top 5 Holdings

Stock	% of Fund
1 ARB CORPORATION	3.9
2 BREVILLE GROUP	3.7
3 OMNI BRIDGEWAY	3.3
4 DETERRA ROYALTIES	3.3
5 IRESS	3.3

## Fund at a Glance

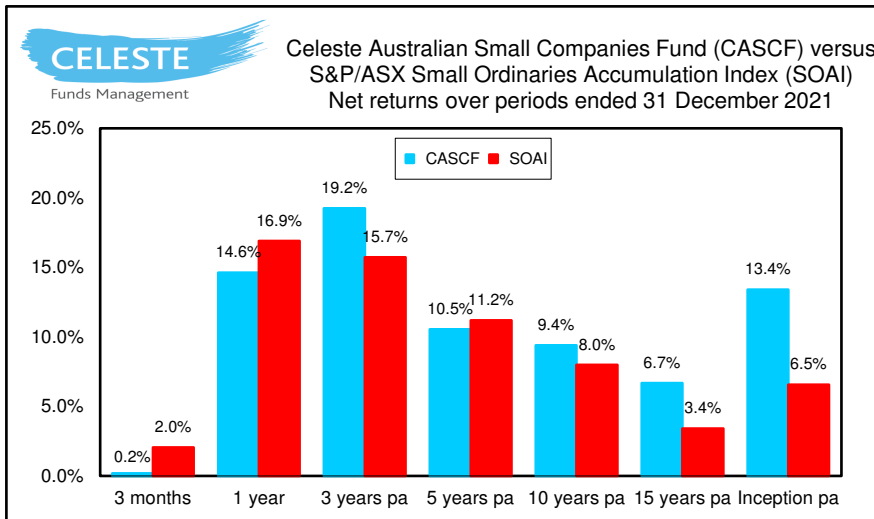
### Fund Information

<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 31.12.2021 [ex-distribution]</b>	\$4.6313
<b>Unit price (application) as at 31.12.2021 [ex-distribution]</b>	\$4.6591
<b>Fund Size as at 31.12.2021 [ex-distribution]</b>	\$93m
<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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<sup>1</sup> 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.

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