

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	+2.4	+4.4	+12.0	+8.5	+6.9	+5.6
Performance (relative to Index)	-2.9	-5.3	+2.4	-1.4	+0.9	+3.0
S&P/ASX Small Ords Acc Index	+5.3	+9.7	+9.6	+9.9	+6.0	+2.6
S&P/ASX Small Inds Acc Index	+3.0	0.0	+6.5	+7.7	+8.5	+3.5
S&P/ASX Small Res Acc Index	+12.7	+52.0	+21.3	+18.4	-0.3	+0.5

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Portfolio Commentary

The Fund rose 2.4% (net of fees) in March, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index increasing by 5.3% over the month. Since inception (May 1998) the Fund's return is 12.9% pa, net of all fees, against the Index's 6.3% pa.

Hansen Technologies (HSN) rose 17.1% during the month, after signing a deal with Fortune 100 energy company, Exelon Corporation. The deal is for approximately USD \$25m spanning over an initial term of 7 years. This provides Hansen with steady, predictable revenues and cash flow over the life of the contract, and is supportive of their strength in the energy and communications space. Steady growth in organic revenues are expected to occur into the medium term and we continue to think that Hansen will supplement this with bolt on strategically aligned acquisitions.

Omni Bridgeway (OBL) rose 16.9% during the month as the market continued to digest the strong 1H22 result delivered in February. The result highlighted the pathway to stable earnings and growth in FUM, with OBL flagging materially higher cash flows and earnings expected in outyears. Expansion in the US continues, with the launch of OBL's Judgement Enforcement business during the month, alongside several new executive appointments.

PSC Insurance (PSI) retraced 8.3% during the month as it raised \$80m of equity at \$4.50 per share to fund future acquisitions. This raising brings net leverage below 2.0x (compared to a stated threshold of 2.0-2.5x) and will be focused on Australian and UK commercial broking opportunities. Since January 2021, PSI has completed 12 acquisitions contributing \$16m in EBITDA at an average multiple of 7.5x. Given this track record, their solid pipeline of opportunities and a supportive operating environment, we are confident PSI will deploy the capital in an earnings accretive manner.

City Chic (CCX) fell 13.0% in the month of March, as downward pressure on the stock continued post the 1H22 result. Despite delivering strong top line growth, the market recoiled in response to elevated inventory levels in response to global supply chain disruptions, and sentiment remains weak. However, prudent inventory stocking will enable CCX to participate in key sales periods like summer in the Northern Hemisphere, with CCX flagging positive early indications. The alternative is under-stocking and under-selling – an unfortunate narrative we have seen play out for US competitor, Torrid, as they delivered a disappointing FY21 result. Ultimately CCX continues to deliver a quality product with high demand in a growing target market – evidenced by strong growth in online sales, particularly in its key growth market of USA. We believe CCX is ripe with opportunity despite short-term supply chain issues.

Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	+6.9	+15.5	+11.5
USA – S&P 500	+3.6	+14.0	+16.9
USA – NASDAQ Composite	+3.4	+7.4	+22.5
Europe – FTSE (UK)	+0.8	+11.9	+1.1
Europe – DAX (Germany)	-0.3	-4.0	+7.7
Asia – Nikkei (Japan)	+4.9	-4.7	+9.5
Asia – Shanghai Composite (China)	-6.1	-5.5	+1.7

Source: IRESS

During the month we exited our position in **Credit Corp (CCP)** on valuation grounds. CCP is a high-quality and well-managed business however we believe that on a 1-year forward PE of 21x, the company's growth prospects and returns profile are fully valued.

Market Commentary

March marked a further period of market volatility driven by geo-political instability and macro-economic uncertainty. The Small Ordinaries Accumulation Index rose 5.3% for the month, with markets rallying aggressively post the FOMC meeting, which saw US interest rates raised 25bps. In line with recent trends, there was a significant divergence between the performance of the Small Industrials, which rose 3.0% for the month but lagging the Small Resources, which increased 12.7%.

The relative outperformance of the Small Resources sector versus the Small Industrials sector has been driven by several well discussed factors. Post the invasion of the Ukraine by Russia, commodities prices continued to rise, with Energy related commodities a particular area of strength. Performance of the Small Industrials sector has, in-part, been driven by the elongation of inflationary expectations, which has seen key Central Banks raise interest rates. Yield curves, which initially steepened and resulted in a broad sell off in expensive and unprofitable companies, inverted as the market begins to price in the likelihood of recession due to a combination of cost pressures, declining real incomes and rising rates.

The pace of change in the geo-political and macro-economic landscape and the financial markets reaction is occurring at warp speed. In this period of elevated volatility, Celeste remains focussed on identifying and investing in companies with robust, durable business models, conservatively stated financial accounts, high quality Boards and management teams, trading at a significant discount to our assessment of intrinsic value. Looking forward, we expect the fund to deliver strong performance, with a number of growth opportunities matched with attractive valuation.

Portfolio Top 5 Holdings

Stock	% of Fund
1 OMNI BRIDGEWAY	4.2
2 NRW HOLDINGS	3.7
3 BREVILLE GROUP	3.6
4 EAGERS AUTOMOTIVE	3.5
5 ECLIPX GROUP	3.4

Fund at a Glance

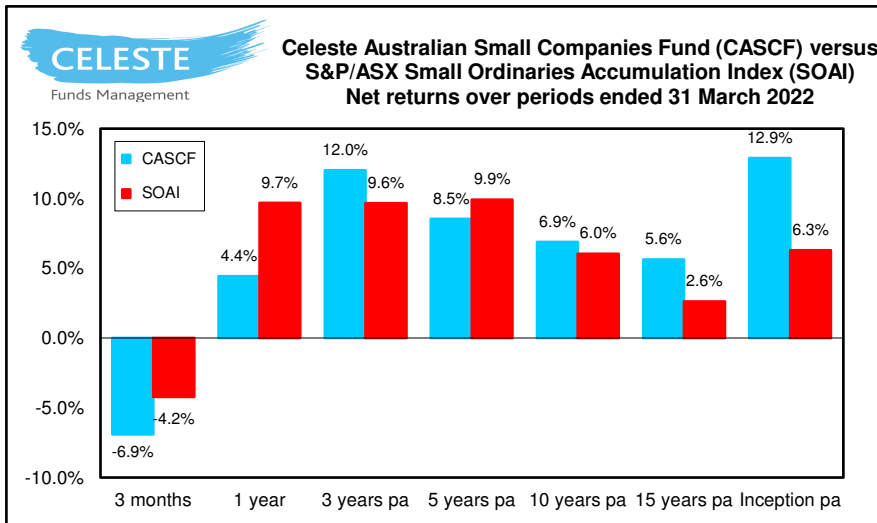
Fund Information

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 31.03.2022	\$4.3116
Unit price (application) as at 31.03.2022	\$4.3376
Fund Size as at 31.03.2022	\$89m
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



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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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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.

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