

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	-6.5	-10.3	+6.3	+6.7	+6.6	+4.4
Performance (relative to Index)	+0.5	-5.7	+0.8	-1.8	+0.3	+3.1
S&P/ASX Small Ords Acc Index	-7.0	-4.6	+5.5	+8.5	+6.3	+1.3
S&P/ASX Small Inds Acc Index	-7.4	-12.2	+1.5	+6.0	+8.3	+2.3
S&P/ASX Small Res Acc Index	-6.0	+25.5	+20.9	+17.5	+1.1	-1.0

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Portfolio Commentary

The Fund fell 6.5% (net of fees) in May, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index decreasing by 7.0% over the month. Since inception (May 1998) the Fund's return is 12.3% pa, net of all fees, against the Index's 5.9% pa.

Auto aftermarket software solutions provider **Infomedia** (IFM) rose 35.7% during the month on the back of takeover activity. On May 13, IFM announced that a consortium, led by TA Associates, had made a \$1.70 bid for IFM, which represented a 33% premium to the prior closing share price. Subsequently, on May 27, Battery Ventures lodged a \$1.75 bid. Further, media speculation suggests other bidders are also stalking IFM. While both bids to are non-binding and conditional, the number of participants actively interested in acquiring IFM suggests a high probability of a deal successfully concluding.

Judo Bank (JDO) rallied 4.1% following the company's inaugural investor day. The presentation provided the market with an encouraging update as well as a deeper look into the company's risk frameworks, value proposition and financial metrics. The company continues to grow its loan book and banker panel and remains on-track to achieve or exceed its prospectus FY22 metrics. Moreover, JDO is positively leveraged to the rising rate environment which should offset negative inflationary impacts on costs.

PSC Insurance (PSI) fell 0.7% during the month after announcing the acquisition of a 50% stake in Tysers UK retail division, subject to the completion of AUB Group's acquisition of Tysers. The acquisition will be on a similar multiple to that of AUB's acquisition of Tysers (12x FY22 pro forma EBITDA) with PSI's contribution to the joint venture expected to be in the A\$60-70m range, net of debt. The JV will have a 4-person Board (2 from each partner) with PSI appointing the Chair.

This month, **United Malt Group** (UMG) reported its 1H22 result. Despite delivering a result in line with pre-reported numbers, and reiterating its FY22 guidance, the stock fell 7.9% for the month. This is likely the result of heightened supply-side uncertainty with malt volumes being impacted by delayed shipments. Despite immediate challenges, management noted that underlying malt demand has normalised to pre-covid levels. We expect this, combined with UMG's Scottish expansion and an improved barley crop in Canada, to provide a catalyst for earnings recovery.

Pacific Smiles (PSQ) fell 33.0% off the back of an operating update. Total patient fees for February to April were down 3.1% on the prior corresponding period while same centre patient fees were down 7.8% as Covid continues to place a strain on practitioner availability and patient attendance. Pleasingly, the business remains on track to roll-out between 15-20 new centres in FY22.

Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	-3.1	+4.7	+8.5
USA – S&P 500	0.0	-1.7	+14.5
USA – NASDAQ Composite	-2.1	-12.1	+17.5
Europe – FTSE (UK)	+0.8	+8.3	+2.0
Europe – DAX (Germany)	+2.1	-6.7	+7.1
Asia – Nikkei (Japan)	+1.6	-5.5	+9.8
Asia – Shanghai Composite (China)	+4.6	-11.9	+3.2

Source: IRESS

Market Commentary

Aussie markets were strained in the month of May as long-held expectations of a tightening monetary policy finally materialised, with the RBA's 25bp hike bringing the cash rate to 0.35%. In response, Australian 10-year yields sold off 22bps to 3.34% and the Small Ords Accumulation Index (XSOAI) fell 7.0% for the month. The global market fared better, with the S&P500 flat for the month. US yields crept 5bps down to 2.84%, with the Fed further along in its hiking cycle than the RBA, and April CPI data indicating the US has now likely moved past peak inflation.

Consumer discretionary created the greatest drag on the XSOAI with a rising rate environment leaving questions around customer spending, while input cost pressures persist alongside supply chain dislocation. Real Estate and Industrials also struggled in the rising rate environment.

The XSOAI's outperformance of the Small Industrials (XSI) in recent months has been buoyed by strength in the resources sector. However, with materials down c.8% this month, we saw the indices decreasing in tandem, with the XSI down 7.4%. Iron ore prices dropped to US\$137 as a result of the Chinese COVID lockdown and weak steel demand in its property sector.

Gold prices fell sharply as a result of rising rates, while energy prices remain elevated as the Russia/Ukraine conflict continues. The EU's ban on Russian oil imports underpinned the climb of Brent and crude oil, while India's ban on wheat exports exacerbated the risk to food inflation.

The month also saw Australia's first change of government in nearly 10 years. With the ALP in power and a record-number of Greens seats, we are likely to see policy reform as the government tackles climate change concerns, rather than children on soccer fields.

Portfolio Top 5 Holdings

Stock	% of Fund
1 OMNI BRIDGEWAY	4.1
2 NRW HOLDINGS	3.8
3 MONADELPHOUS GROUP	3.6
4 EVENT HOSPITALITY & ENTERTAINMENT	3.6
5 NIB HOLDINGS	3.5

Fund at a Glance

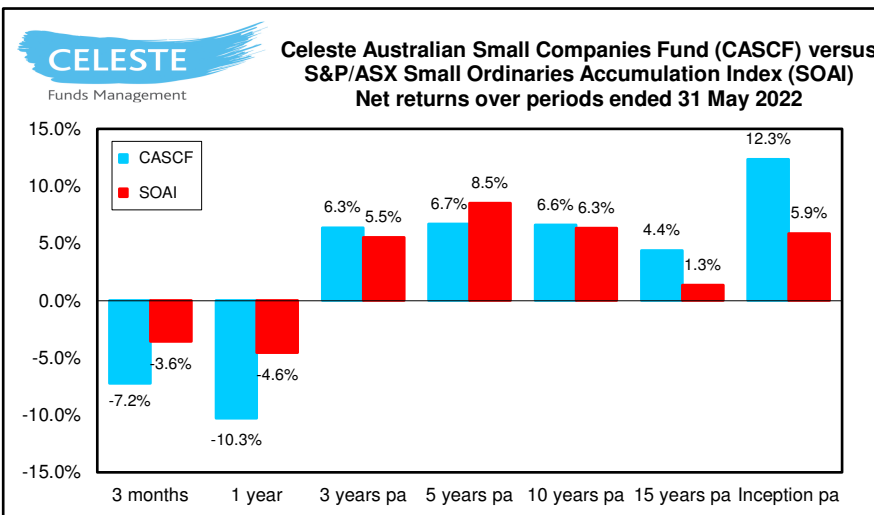
Fund Information

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 31.05.2022	\$3.9071
Unit price (application) as at 31.05.2022	\$3.9306
Fund Size as at 31.05.2022	\$82m
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 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

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** 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

www.celestefunds.com.au