

### 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	-9.9	-22.7	+3.0	+4.2	+5.6	+3.5
<b>Performance (relative to Index)</b>	<b>+3.2</b>	<b>-3.2</b>	<b>+2.6</b>	<b>-0.9</b>	<b>+0.2</b>	<b>+3.1</b>
S&P/ASX Small Ords Acc Index	-13.1	-19.5	+0.4	+5.1	+5.4	+0.4
S&P/ASX Small Inds Acc Index	-10.0	-24.0	-2.2	+3.3	+7.3	+1.5
S&P/ASX Small Res Acc Index	-22.1	-1.8	+10.2	+11.8	-0.3	-2.6

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#### Portfolio Commentary

The Fund fell 9.9% (net of fees) in June, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index decreasing by 13.1% over the month. Since inception (May 1998) the Fund's return is 11.8% pa, net of all fees, against the Index's 5.2% pa.

**Pacific Smiles Group (PSQ)** rallied 15.8% following a positive monthly patient fee update highlighting the Covid-19 impact on patient attendance and staff absenteeism has begun to abate. PSQ's same centre patient fees for May 2022 were up 2.8% on pcp while total patient fees were up 7.4%. PSQ also extended its \$40m CBA loan facility for a further 3 years. Pleasingly, the Board confirmed that due to the headroom in the facility and the improving operating outlook, the company is adequately funded and has no need or desire to raise capital.

**IRESS (IRE)** rose 9.9% over the month of June, outperforming the broader ASX 200 technology sector which fell 11.0%. While there were no new announcements of note, we remain positively disposed to management's renewed focus to its capital base and delivery on FY25 targets. Looking ahead, we believe the nature of IRE's recurring revenues, its cash flow generation and defensive qualities will provide ballast in a macro environment where earnings predictability has become increasingly difficult.

**Omni Bridgeway (OBL)** rose 5.3% off the back of a string of positive announcements. Firstly, they announced the successful completion of a US law firm portfolio that resulted in US\$23m of income into Fund 4, with the same law firm entering into a second \$30m portfolio funding also from Fund 4. OBL has also launched its new Fund 8 which is a EUR300m insured, leveraged SPV with materially higher expected returns to OBL than previous funds. Finally, OBL sold a 20% interest in the CBA shareholder class action investment for \$7.5m. OBL expects to be an active participant in the secondary market due to the improved liquidity it provides. We see significant upside in OBL as the transition to legal fund manager continues.

**Judo Bank (JDO)** fell 32.3% in June, with the broader banking sector sold off on concerns around the macroeconomic backdrop and probability of credit losses. Nevertheless, JDO's May GLA balance of \$5.74b suggests they will meet their prospectus forecast of \$6b by June 2022. The RBA also released credit stats for May, with business credit (JDO focus area) growing particularly strongly at 1.3% over the month, an annualised rate of 12.9%.

#### Portfolio Top 5 Holdings

Stock	% of Fund
1 OMNI BRIDGEWAY	52
2 IRESS	42
3 IPH	3.9
4 DETERRA ROYALTIES	3.9
5 ECLIPX GROUP	3.9

#### Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	-9.4	-7.4	+3.8
USA – S&P 500	-8.4	-11.9	+8.8
USA – NASDAQ Composite	-8.7	-24.0	+11.3
Europe – FTSE (UK)	-5.8	+1.9	-1.2
Europe – DAX (Germany)	-11.2	-17.7	+1.0
Asia – Nikkei (Japan)	-3.3	-8.3	+7.4
Asia – Shanghai Composite (China)	+6.7	-5.4	+4.5

Source: IRESS

#### Market Commentary

The ASX Small Ordinaries Accumulation Index (XSO) declined by 13.1% in June with a strong reversal in the past 12-month performance of the Small Industrial Index (XSI -10.0%) versus the Small Resource Index (XSR -22.1%). Over the financial year 2022 the XSO declined by 19.5% comprising a very weak XSI (-24.0%) and a very resilient XSR (-1.8%). Indeed, only being -1.8% put the XSR above the All Ordinaries (-7.4%), the ASX200 (-6.5%) and the ASX100 (-5.0%) in terms of yearly performance and was only beaten by the ASX100 Resources Index (+3.3%). Being underweight the XSR for duration of the last 12 months hurt performance, although the June outperformance highlighted what happens when the sentiment towards the Small Resource stocks unwinds. We expect that the reassessment of medium-term cash flow streams that began in resource names in June will continue for some time. Over June, resource announcements covered higher diesel, energy & input costs, downgraded production targets due to lower productivity from staff absenteeism and significant increases in construction costs for mine development. It remains likely that pricing across the commodity complex has already peaked and so these issues will be exacerbated by top-down revenue pressure. We expect that this will present us with opportunities to buy process consistent resource stocks at reasonable prices at some stage over the next 12 months.

The last 12 months have been difficult for the fund, both relative and absolute. Given current conditions, it is likely the performance of the XSR over the next 12 months becomes a tailwind (especially in small explorers, long duration developers and speculative names). We continue to be focused on recouping both the relative and absolute performance via the steady execution of our investment process. We think that while still tumultuous, geopolitical risks have peaked. The world continues to open suggesting that the covid pandemic is morphing into an endemic. Significant increases in interest rates globally are likely to lead to a curtailing of consumer demand. Weaker commodity prices should assist in further reducing price growth. Concerns around inflation and recession are likely to dominate short term discussions with emphasis on capital losses driven by higher levels of financial indebtedness of the entire system vis-à-vis 2 years ago. The interplay of investors views on these will manifest in more volatile investment markets over the next 6-9 months. We continue to position the fund in stocks we think will deliver long term cash flow growth. We like stocks that have a strong franchise, product IP, or customer affinity. We like the ability of these names to lift prices to recover input cost growth, maintain margins and grow absolute dollar profits. We think stocks with a patient disposition towards capital deployment will use cash to improve balance sheets, maintain dividend payout ratios, all the while waiting for inorganic opportunities. We think the market will look to August 2022 reporting season as a guide to corporate performance in a difficult operating environment. We think this will present good process consistent investment opportunities.

## Fund at a Glance

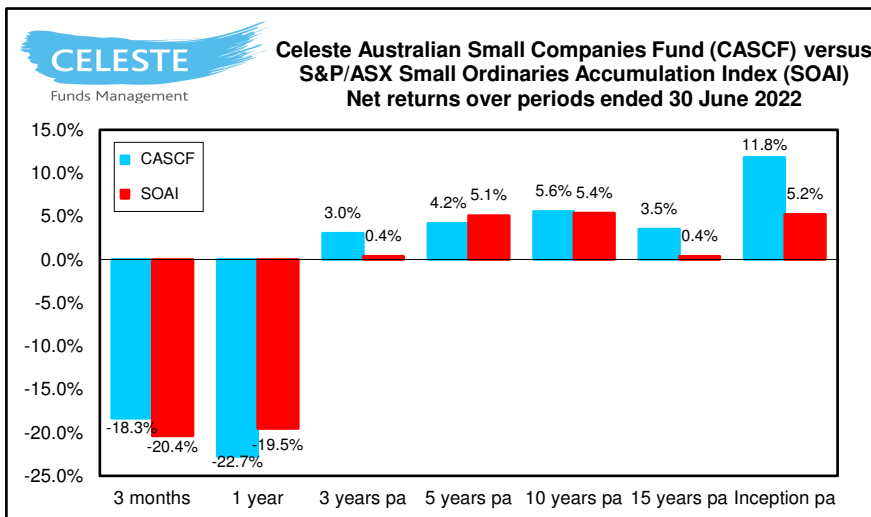
### Fund Information

<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 30.06.2022 [ex-distribution]</b>	\$3.3021
<b>Unit price (application) as at 30.06.2022 [ex-distribution]</b>	\$3.3220
<b>Fund Size as at 30.06.2022 [ex-distribution]</b>	\$69m
<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 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
June 22	25.05	5.5

\*\* 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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