

### 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	+11.9	-12.6	+4.7	+6.3	+6.7	+4.1
<b>Performance (relative to Index)</b>	<b>+0.5</b>	<b>-1.7</b>	<b>+2.2</b>	<b>-1.0</b>	<b>+0.2</b>	<b>+2.9</b>
S&P/ASX Small Ords Acc Index	+11.4	-10.9	+2.5	+7.3	+6.5	+1.2
S&P/ASX Small Inds Acc Index	+11.8	-14.2	+0.3	+5.7	+8.3	+2.4
S&P/ASX Small Res Acc Index	+10.2	+0.8	+11.0	+13.3	+1.2	-1.9

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#### Portfolio Commentary

The Fund rose 11.9%<sup>1</sup> (net of fees) in July, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index increasing by 11.4% over the month. Since inception (May 1998) the Fund's return is 12.3%<sup>1</sup> pa, net of all fees, against the Index's 5.7% pa.

**Eagers Automotive (APE)** rose 28.9% over the month of July off the back of a strong trading update early in the month. Despite continuing supply chain constraints on new vehicle deliveries, APE upgraded PBT (adj) guidance to \$195m for H1 2022, compared to profit guidance between \$183m - \$189m provided in May, noting growth in the order bank and the benefits from on-going productivity and cost-out programs. Net corporate debt of \$13m had also materially improved compared to \$128m as of the 31st of December 2021. While we are cognisant weakening macro conditions could be a drag to consumer sentiment, we believe APE's short-medium term earnings growth will be supported by an elevated order book in addition to a strong balance sheet that will support organic and inorganic growth.

**Data #3 (DTL)** released a strong trading update on the 14<sup>th</sup> of July 2022, supporting its share price rise of 33.3% over the month. While headline FY22 PBT guidance of \$44m was in-line with market expectations, the market viewed the size of back orders into FY23 favourably. Approximately \$6m was not recognised due to product delays related to widely known supply chain constraints. This compares to a \$3m back order in FY21 and provides some level of de-risking for the first half of FY23. DTL is also expected to maintain a historic dividend payout ratio of 90%+, highlighting management's confidence in sustained earnings momentum.

**Omni Bridgeway (OBL)** rose 16.3% on positive announcements regarding quarterly commitments and investment performance. Fourth quarter commitments of \$178m took annual commitments to a record \$463m, 12% higher than FY21. Despite difficult operating conditions, OBL grew their estimated portfolio value by 35% to \$27.2b whilst maintaining an income conversion rate of 17% for the quarter (in-line with their expected long-term average of 15%). Given the volatile economic outlook, we remain attracted to the uncorrelated and defensive cash flows that OBL generates.

The month of July saw **Iress (IRE)** fall 1.4% following the announced succession of CEO Andrew Walsh and a company trading update. Andrew Walsh who had been CEO of IRE for over 13-years will be succeeded by Marcus Price, former founding CEO of PEXA Group on the 3rd of October 2022. While IRE's H1 2022 segment profit guidance of \$80m was a ~6% miss against consensus expectations, IRE reaffirmed the guidance range of \$177-\$183m for the full year, implying a H2 2022 skew. Looking ahead, we remain positively disposed to IRE's defensive qualities and look forward to seeing Marcus and the management team deliver on long term FY25 targets.

#### Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	+6.3	-2.6	+4.9
USA – S&P 500	+9.1	-6.0	+11.5
USA – NASDAQ Composite	+12.3	-15.6	+14.9
Europe – FTSE (UK)	+3.5	+5.6	-0.7
Europe – DAX (Germany)	+5.5	-13.3	+3.4
Asia – Nikkei (Japan)	+5.3	+1.9	+8.9
Asia – Shanghai Composite (China)	-4.3	-4.2	+3.5

Source: IRESS

#### Market Commentary

July was yet again another volatile month in financial markets as risk on views firmed towards interest rates nearing their peak. The Small Ordinaries Accum. Index rose 11.4% on the back of a 13.1% decline in June. Similarly, the ASX100 Accum. Index rose 5.3% having declined by 8.3% only a month earlier. Interestingly the divergence in index sub sector performance was less pronounced in July than it has been over the last four months. The Small Resources Accum. Index (XSRAI) rose 10.2% with the Small Industrials Accum. Index (XSIAI) up only slightly more at 11.9%. For the quarter, resources underperformed with the XSRAI down 19.3% versus the XSIAI only down 6.8% however for the year, the XSRAI performance at +0.8% continues to significantly outperform the XSIAI (-14.2%). Pleasingly the fund in July rose 11.9% which was stronger than the benchmark of 11.4%. Returns were skewed to the sectors which had been heavily oversold in June, namely consumer discretionary and financials. We continue to set the portfolio based on bottom-up stock analysis. The recent market volatility has allowed us the opportunity to buy cash flow streams at a discount to their intrinsic worth. We continue to trim stocks as they approach their valuation target and buy stocks that have been oversold, establishing 2 new stock positions over June & July. We expect markets to remain volatile in the medium term as views around interest rates and inflation drive market sentiment.

Risk on sentiment was supported over the month with the Federal Reserve lifting rates by 75bps in what was deemed a dovish tilt with "clear" forward guidance no longer being provided. This was in addition to a plethora of economic releases over the month that highlighted deteriorating U.S. economic conditions, firming views that rates were nearing peak. US GDP fell at an annualised rate of 0.9% in the second quarter, meeting the "technical recession" definition. In addition, personal consumption (PCE), the biggest part of the economy, rose at just a 1.0% pace, a deceleration from the prior period, highlighting a continuation of the weakening trend. First quarter consumption was 1.8% while the fourth quarter of 2021 was 2.5%. Other indicators such as the ISM manufacturing PMI also came in weaker than expectations. The outworking of these events saw bond yields decline over the month and brought forward expectations of when the fed funds rate will peak. By month end swaps referencing policy dates implied the fed funds rate will peak at 3.3% before the end of 2022 compared to 3.4% expected in February 2023 in June.

#### Portfolio Top 5 Holdings

Stock	% of Fund
1 OMNI BRIDGEWAY	5.0
2 DATA #3	3.7
3 ECLIPX GROUP	3.7
4 IPH	3.5
5 IRESS	3.5

## Fund at a Glance

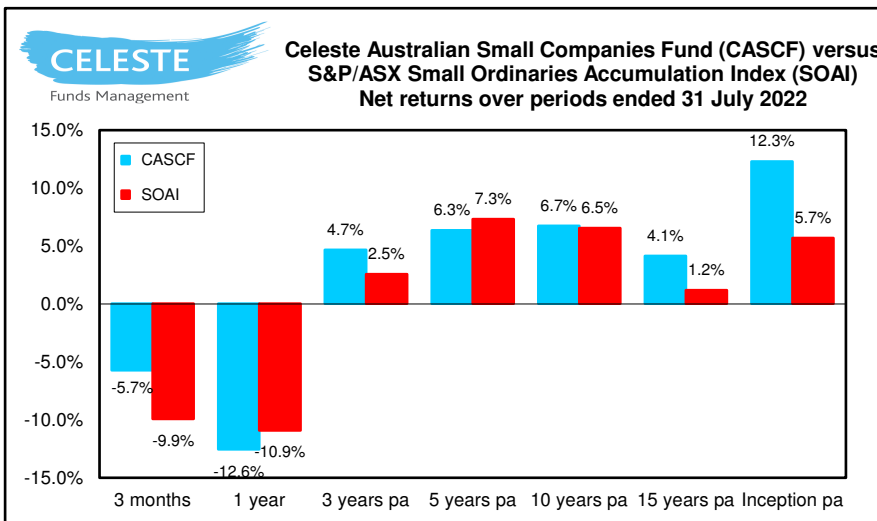
### Fund Information

<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 31.07.2022</b>	\$3.6964
<b>Unit price (application) as at 31.07.2022</b>	\$3.7186
<b>Fund Size as at 31.07.2022</b>	\$80m
<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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