

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	-9.7	-22.1	+0.6	+3.5	+5.0	+3.8
Performance (relative to Index)	+1.5	+0.5	+1.4	-0.6	+0.4	+3.4
S&P/ASX Small Ords Acc Index	-11.2	-22.6	-0.8	+4.1	+4.6	+0.4
S&P/ASX Small Inds Acc Index	-10.5	-27.5	-3.7	+2.6	+6.7	+1.7
S&P/ASX Small Res Acc Index	-13.5	-3.1	+10.5	+9.3	-1.3	-3.0

Past performance is not indicative of future returns.

Portfolio Commentary

The Fund fell 9.7%¹ (net of fees) in September, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index decreasing by 11.2% over the month. Since inception (May 1998) the Fund's return is 11.8%¹ pa, net of all fees, against the Index's 5.1% pa.

Clover Corporation (CLV) rose 17.3% over the month after reporting a solid FY22 result with vastly improved FY23 outlook. Customer orders appear solid into FY23 with Chinese demand now normalised post the Covid induced demand pull forward. The new Chinese licencing regime comes into effect in February 2023 and will see higher DHA content required for all infant formula products irrespective of origin. New product opportunities in paediatric formula and vitamin gummies remains promising.

Data #3 (DTL) rose 3.5% over the month of September in what was one of the most challenging months in ASX history. While there were no new announcements of note in September, the strong August result saw DTL deliver sales of \$2,193m (+12.2% vs pcp) and NPAT of \$30m (+19.1% vs pcp). This in addition to a \$6m backlog and no signs of weakening demand was viewed favourably by the market, especially in an environment of increasing economic uncertainty. Looking ahead, while cognisant on valuation, we remain positively disposed to DTL as it is a high-quality business with a strong balance sheet that should provide ballast in the portfolio during a period of economic volatility.

Gold Road Resources (GOR) rose 1.2% during Sept. following the release of a positive preliminary feasibility study on De Grey Mining's (DEG) Mallina Gold Project. The study saw material improvements in annual gold production, grade, mine life and overall economics, confirming the project's status as a tier 1 gold asset. With GOR having recently increased their ownership of DEG to 20%, we believe there is significant upside should GOR be involved in the development of this project. Nevertheless, we remain attracted to the low-cost gold production coming out of GOR's 50% owned Gruyere project, particularly in a volatile & inflationary environment.

Infomedia (IFM) declined by 16.4% over the month after the company closed the data room to several prospective private equity bidders post 15 weeks of due diligence. The stock had not been trading near the \$1.75 bid price as the expectation had been that repricing of equity assets globally would cause the bidders to lose confidence in their ability to add value. This bid was typical of recent form of most private equity bids in Australia which have amounted to little more than time-wasting fishing trips. IFM has solid software, solves a problem for the corporate user, and remains well placed to grow under the new CEO. We expect targeted investment in sales and marketing over the next 12 months will boost execution capability in the USA and Europe.

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.

Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	-6.4	-8.6	+3.1
USA – S&P 500	-9.3	-16.8	+6.4
USA – NASDAQ Composite	-10.5	-26.8	+9.8
Europe – FTSE (UK)	-5.4	-2.7	-2.4
Europe – DAX (Germany)	-5.6	-20.6	-0.8
Asia – Nikkei (Japan)	-7.7	-11.9	+6.0
Asia – Shanghai Composite (China)	-5.6	-15.2	+1.3

Source: IRESS

Market Commentary

September's reputation as the weakest month of the year for equities held true as global markets sold off in response to continued hawkish central bank commentary and heightened recession fears. The S&P 500 fell 9.3%, its worst month since March 2020, while the Nasdaq fell 10.5% and the Dow Jones Industrial Average retraced back to its November 2020 lows. Domestically, the ASX200 (-6.2%) outperformed with the Small Ordinaries Accum. Index significantly underperforming, down 11.2%. The Small Industrials (-10.5%) outperformed the Small Resources (-13.5%), which saw strength in the coal names (New Hope Coal up 28.4%) offset by weakness in the lithium names. Commodities were weak with the price of Brent unchanged over the month as the market anticipated an OPEC+ production decision amid declining demand outlooks. Gold fell below US\$1,700 as an aggressive US Federal Reserve saw the AUD/USD fall -6.5% to \$0.64.

With the RBA taking the official cash rate to 2.35%, the Australian property sector fell a further -1.4% in September as the cost of borrowing continued to rise. Although it moderated from the -1.6% fall in August, national median dwelling values are now down \$37k (-4.8%) from their peak of \$730k. This remains in contrast to ongoing strength in domestic consumer spending, with ABS data for August 2022 showing an increase in retail industry sales of 19.4% on the prior year.

Internationally, concerns around Russian sabotage of the Nord Stream gas pipeline heightened fears of a European energy crisis and looming cold winter. Russia suffered setbacks to their invasion as Ukrainian forces made significant progress in reclaiming Russian occupied territory. This has subsequently been met with nuclear sabre-rattling from the Kremlin and the partial mobilisation of reservists. UK financial markets were plunged into turmoil as proposed tax cuts (which have subsequently been withdrawn) saw bond yields surge, the pound drop to new lows and new PM Liz Truss' approval rating plummet from -9 to -37. Despite being in the midst of a rate hiking program, the Bank of England declared they would temporarily step in to buy long-dated debt in order to calm markets.

Going forward, investors will be focused on upcoming US quarterly reporting for signs of weakness that may indicate a Fed pivot. We will remain opportunistic with the volatility in equity markets, adding to positions where process and valuations are compelling.

Portfolio Top 5 Holdings

Stock	% of Fund
1 OMNI BRIDGEWAY	4.6
2 NRW HOLDINGS	4.1
3 IPH	3.8
4 DATA #3	3.7
5 PSC INSURANCE GROUP	3.6

Fund at a Glance

Fund Information

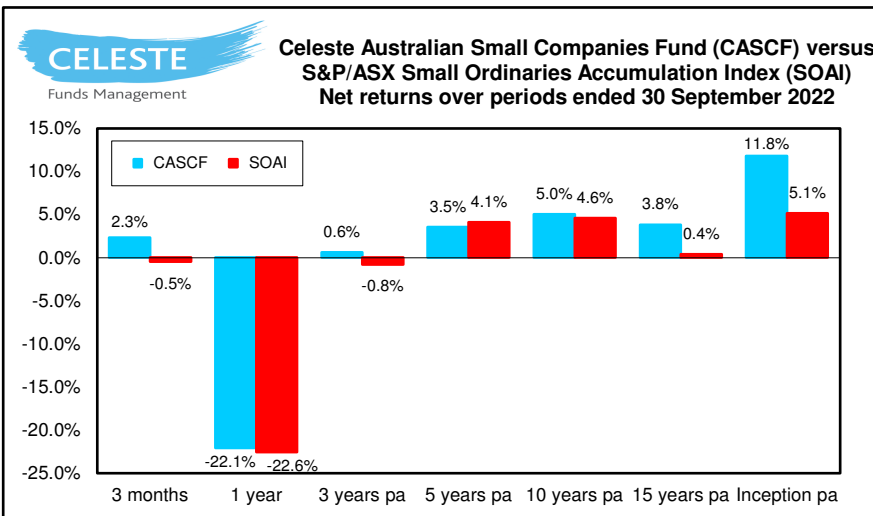
Primary Investments	Shares in listed Australian smaller companies
Investment objective	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
Unit price (redemption) as at 30.09.2022	\$3.3778
Unit price (application) as at 30.09.2022	\$3.3982
Fund Size as at 30.09.2022	\$73m
Minimum investment	\$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.

This fund is appropriate for investors with “High” risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe. Investors should refer to the fund’s Target Market Determination (<https://documents.feprecisionplus.com/tmd/PCT/TMD/N8Z8-FAM0101AU.pdf>) for further information.

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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