

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	+2.7	-16.3	+2.9	+4.5	+5.9	+3.8
Performance (relative to Index)	-2.2	-2.3	+0.3	+0.1	0.0	+2.8
S&P/ASX Small Ords Acc Index	+4.9	-14.0	+2.6	+4.4	+5.9	+1.0
S&P/ASX Small Inds Acc Index	+2.7	-18.3	-1.3	+2.9	+7.5	+2.3
S&P/ASX Small Res Acc Index	+11.6	+1.7	+17.7	+9.4	+0.9	-2.3

Past performance is not indicative of future returns.

Portfolio Commentary

The Fund rose 2.7%¹ (net of fees) in November, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index increasing by 4.9% over the month. Since inception (May 1998) the Fund's return is 12.0%¹ pa, net of all fees, against the Index's 5.6% pa.

A weakening USD saw a rebound in the gold price, as miners **Silver Lake Resources** (SLR) and **Gold Road Resources** (GOR) rallied 9.0% and 29.2% respectively over the month. Both companies provide low-cost gold exposure, operate in tier-1 mining jurisdictions and are led by experienced management teams. We are attracted to the production growth out of SLR's Mount Monger and Deflector assets while their recently acquired Sugar Zone mine provides strong upside. Similarly, GOR presents an attractive growth profile through increasing grade at Gruyere, and their investment in De Grey Mining (DEG) offers significant growth optionality.

Judo Capital Holdings (JDO) rose 18.4% during the month, off the back of a strong AGM update at the back end of October. The update confirmed JDO appear to be on track to reach their at-scale metrics, with the loan book growing to \$6.8b. Despite broader recessionary fears, JDO's asset quality remains solid with no material uptick in arrears and the company remains well-capitalised with a 19.5% CET1 ratio, well in excess of the major banks benchmark of c10.5%. Additionally, the company announced the appointment of Chris Bayliss to the role of Deputy CEO and Chief Relationship Officer with Andrew Leslie taking over as CFO.

Nick Scali (NCK) rose 12.2% over November as a strong AGM operating update alleviated market concerns around short term consumer demand. Group revenue for the four months to October was 74% above the prior year while written sales orders were 55% above the prior year. Ongoing Plush synergy capture saw group gross margins expand to 61.3% from 59.5% in June-22, resulting in expected 1H23 net profit of between \$56m - \$59m, a 57% - 66% increase on the prior year. Management intends to continue their store rollout strategy, aiming to open at least 6 new stores across the group in FY23.

Infomedia (IFM) declined 10.2% over the month after the company updated revenue guidance at the AGM. IFM noted that the range would be \$127m-\$132m, down from previous expectations of \$131-\$139m. The slippage has been driven by a slowdown in ecommerce transactions, in part, an unwind of the previous year's covid driven spike. More relevant was the announcement that IFM data offerings continue to see double digit revenue growth. The new CEO is seeking to address the legacy cost base while at the same time driving the sales discussion and negotiations towards the higher level management at the major global auto players.

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	+3.0	+6.3
USA – S&P 500	+5.4	-10.7	+9.1
USA – NASDAQ Composite	+4.4	-26.2	+9.8
Europe – FTSE (UK)	+6.7	+7.3	+1.0
Europe – DAX (Germany)	+8.6	-4.7	+2.8
Asia – Nikkei (Japan)	+1.4	+0.5	+6.3
Asia – Shanghai Composite (China)	+8.9	-11.6	+3.1

Source: IRESS

Market Commentary

November saw markets rally strongly, and bond yields decline as animal spirits interpreted commentary from central banks as more dovish around inflation and rate increases. The move in the ASX Small Ordinaries Accumulation Index (XSOAI) over October & November has almost been sufficient to erase the -11.2% decline in September and pull the rolling quarter to almost parity (-0.8%). Despite this quarterly recovery, a recent report by Goldman Sachs highlighted that small companies are on track to deliver one of their worst years in three decades when compared to the performance of large cap stocks. Part of the explanation sits around index composition and the big differences between smalls and bigs. Smalls has 3x the weight of various sectors that have been down over 15% YTD versus big caps (building materials, retail, REITS, Tech & Media). On the flip side, big cap banks and resources have performed strongly and their weighting in the bigs index is 3x those sector weightings in smalls. Small cap value has significantly lagged big cap value, with small and large cap growth on par in terms of performance. Concerns around smaller companies lacking diversity in their revenue streams, less customer diversity, lower pricing power and a lack of exposure to a depreciating A\$ have caused the weight of cash to rotate into the larger more liquid names driving divergence in performance. We believe the conclusions of the report that, given the market moves, the XSOAI is likely to have "a higher than normal level of mis-pricing across the index".

China announced a 20-point property support plan and the easing of covid restrictions, and the market saw this as a lead indicator of increased resource demand. Over Nov. the Small Industrial Index (XSIAI 2.7%) underperformed versus the Small Resource Index (XSRAI 11.6%). Over the 12 months this performance divergence has been even more significant with the XSIAI -18.3% massively underperforming XSRAI at +1.7% (20% divergence).

The RBA raised cash rates +25bp on 1 November. October monthly CPI surprised on the low side at 6.9% versus 7.9% expectations and 7.3% in September. Some of the decline looks to have come from fruit & vegetables which will reverse post recent flood impacts on crops. Rental inflation looks to be building while surprisingly travel and holiday accommodation moderated. Housing credit slowed in October. Analyst forecasts post AGM season continue to decline with ASX-300 FY23 forecasts down by 2.4%. We continue to navigate the volatility in equity markets, remaining process consistent and buying real companies with long term cash flow and valuation appeal.

Portfolio Top 5 Holdings

Stock	% of Fund
1 OMNI BRIDGEWAY	5.0
2 NRW HOLDINGS	4.5
3 DATA #3	3.9
4 HANSEN TECHNOLOGIES	3.7
5 DETERRA ROYALTIES	3.7

Fund at a Glance

Fund Information

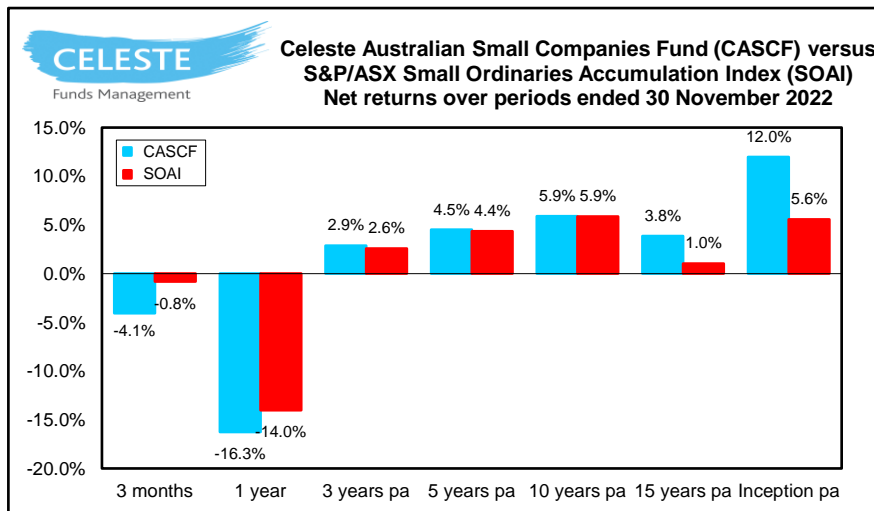
Primary Investments	Shares in listed Australian smaller companies
Investment objective	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
Unit price (redemption) as at 30.11.2022	\$3.5905
Unit price (application) as at 30.11.2022	\$3.6121
Fund Size as at 30.11.2022	\$77m
Minimum investment	\$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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