

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	+6.3	-5.6	+2.8	+4.2	+4.9	+5.3
Performance (relative to Index)	-0.3	-1.2	+0.4	-0.2	-0.5	+2.9
S&P/ASX Small Ords Acc Index	+6.6	-4.4	+2.4	+4.4	+5.4	+2.4
S&P/ASX Small Inds Acc Index	+6.3	-7.8	-1.3	+3.2	+6.5	+4.0
S&P/ASX Small Res Acc Index	+7.3	+6.7	+16.7	+8.2	+1.4	-1.5

Past performance is not indicative of future returns.

Portfolio Commentary

The Fund rose 6.3%¹ (net of fees) in January, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index, increasing by 6.6% over the month. Since inception (May 1998) the Fund's return is 12.0%¹ p.a. (net of all fees), against the Index's 5.7% p.a.

Breville Group (BRG) & Nick Scali (NCK) rose 23.2% & 12.3% respectively in January, driven by the broad-based rally in consumer discretionary stocks and positive trading commentary from peers. Over the month, the ASX Consumer Discretionary index rose 9.9%, outperforming the broader market by 3.7%. Retailers, JB Hi-Fi (JBH) and Harvey Norman (HVN) also released strong trading updates that were ahead of market expectations. This reinforced the resilience of consumer spending over the holiday season and helped alleviate fears of a recession-induced spending cliff.

HT&E (HT1) rose 16.1% in January. Early in the month, the company announced it had signed a binding agreement to sell its 25% interest in CPaaS business Soprano to Potentia Capital for \$66.3m cash. The sale price implies an 8.8x multiple on FY22 EBITDA and comes after a previous non-binding agreement to sell the stake to Link Mobility (LINK) was terminated in Sep-21. The disposal of the non-core asset likely moves HT1 to a net cash position providing capital flexibility to both continue to invest in the core radio business and potentially return capital to shareholders.

Omni Bridgeway (OBL) rallied 11.6% off the back of a strong December quarter for commitments taking total Estimated Portfolio Value up to \$29.8b, up 10% on 30 June and 5% on 30 September. There remains \$228m of indicative opportunities in the investment pipeline, which if converted would make up an additional 41% of the FY23 commitments goal. A Fund 1 investment was disposed during the quarter, as the secondary market continues to prove useful in accelerating cash returns. The business expanded its geographic footprints in Europe and the US which should further the diversification of the portfolio and maintain OBL's global competitive advantage.

PSC Insurance (PSI) fell 5.2% despite a strong operational update in late December. Trading in 1H23 was ahead of budget with underlying EBITDA growth of 18-20% on the prior corresponding period. Given strong 1H23 performance, the full year result is expected to come in at the top-end of the guidance range. Unfortunately, the commencement of the Tysers retail JV with AUB was delayed to 1 April 2023 due to extended timeframes for various UK regulatory approvals. Both companies remain committed to closing the deal. On a global macro level, the January reinsurance renewals should underpin further hardening of insurance premiums and provide a solid tailwind for broker earnings growth.

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	+10.5	+6.4
USA – S&P 500	+6.2	-9.7	+8.1
USA – NASDAQ Composite	+10.7	-18.6	+8.2
Europe – FTSE (UK)	+4.3	+4.1	+2.2
Europe – DAX (Germany)	+8.7	-2.2	+5.2
Asia – Nikkei (Japan)	+4.7	+1.2	+5.6
Asia – Shanghai Composite (China)	+5.4	-3.1	+3.0

Source: IRESS

Market Commentary

Markets enjoyed a strong start to the year with some of 2022's worst performing stocks seeing a sharp reversal in January. The Small Ords Accumulation Index was up 6.6%, in line with the ASX 200 Accumulation Index up 6.2%. Commodities had another strong month as iron ore, gold and copper all rallied. As such the small resources outperformed, up 7.3% against the small industrials, up only 6.3%.

In the US, unemployment fell to a 53-year low of 3.5%, however growth in average hourly earnings eased to 4.6% yoy, down from the 2022 peak of 5.6%. In early February the Fed announced a 25bps rate hike, the smallest increase since last March. Jerome Powell noted in his speech that inflation had eased but further rate hikes would be necessary to return inflation to 2%. Nevertheless, the swap market is expecting 50bps of rate cuts by the end of 2023. A milder than expected European winter alleviated concerns surrounding the energy crisis and resulting deep recession. Natural gas prices in January were half the average price in 2H22 and European Union gas storage was approximately 75% full, up from 35% in the prior year. This led to inflation receding for the third straight month, coming in at 8.5% yoy in January. Following a loosening of yield curve control to tame the highest inflation reading in 31 years, the Bank of Japan had to intervene in January to defend their yield cap, buying a record US\$182b of bonds. China's abandonment of the zero-Covid policy has created expectations of a strong economic recovery in 2023. Government figures point to a spike in tourism with passenger trips during the Lunar New Year up 56% from 2022 while the PMI (Purchasing Manager's Index) rose to 50.1 in January. The IMF estimates that China, combined with India, will account for half of global growth this year.

Australian 4Q22 inflation rose to 7.8% which was above consensus but still below the RBA's 8% forecast. Expectations are for rates to be lifted a further 25 basis points in early February before pausing for several months. Despite this, consumer confidence is resilient, supported by 3.5% unemployment as of December. Housing continues to be a risk with prices having fallen 9% from their peak. Although household leverage is high there have been no clear signs of financial distress yet. The upcoming February reporting period will be looked to as a bellwether for the remainder of the year. We expect ongoing volatility and will remain opportunistic; adding to positions where valuations are compelling.

Portfolio Top 5 Holdings

Stock	% of Fund
1 NRW HOLDINGS	5.0
2 OMNI BRIDGEWAY	4.8
3 DATA#3	4.1
4 NIB HOLDINGS	3.9
5 DETERRA ROYALTIES	3.9

Fund at a Glance

Fund Information

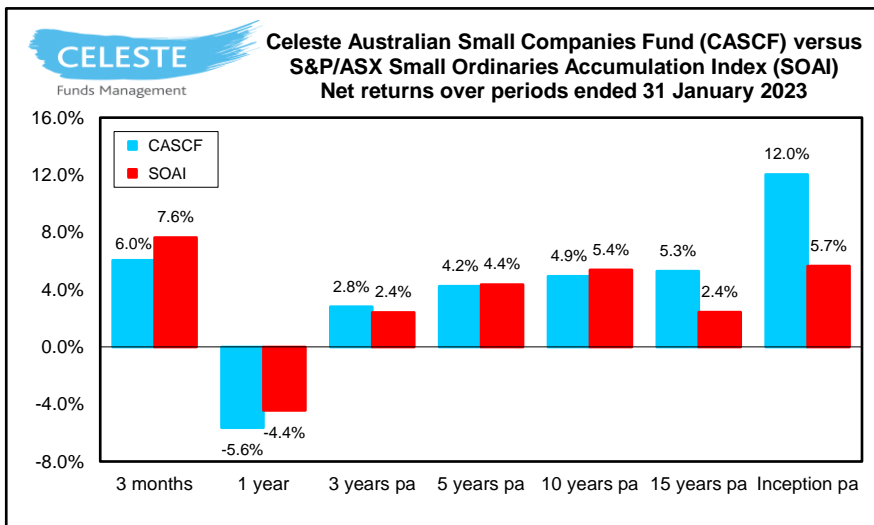
Primary Investments	Shares in listed Australian smaller companies
Investment objective	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
Unit price (redemption) as at 31.01.2023	\$3.6626
Unit price (application) as at 31.01.2023	\$3.6846
Fund Size as at 31.01.2023	\$72m
Minimum investment	\$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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Celeste Funds Management Limited

Level 9, 50 Pitt Street, Sydney NSW 2000. GPO Box 4266, Sydney NSW 2001

T 02 9216 1800 E contact@celestefunds.com.au

www.celestefunds.com.au