

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	-3.4	-5.8	+5.3	+2.0	+5.2	+5.4
Performance (relative to Index)	-0.1	0.0	+0.8	-0.5	-0.8	+3.7
S&P/ASX Small Ords Acc Index	-3.3	-5.8	+4.5	+2.5	+6.0	+1.7
S&P/ASX Small Inds Acc Index ²	-1.7	-2.0	+2.5	+1.9	+6.2	+4.2
S&P/ASX Small Res Acc Index ²	-7.1	-16.4	+12.1	+4.6	+5.0	-3.8

Past performance is not indicative of future returns.

Portfolio Commentary

The Fund fell 3.4%¹ (net of fees) in May, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index, decreasing by 3.3% over the month. Since inception (May 1998) the Fund's return is 11.5%¹ p.a. (net of all fees), against the Index's 5.4% p.a.

Omni Bridgeway (OBL) rose 17.5% following the release of their Q3 update and the announcement of a further secondary market sale. OBL's estimated portfolio value was up 4.4% over the quarter with 72% of their FY23 commitments target having now been achieved. The US\$38m secondary market sale highlights the ongoing process of OBL managing duration across their funds.

NIB Holdings (NHF) rallied 9.5% on the back of a strong operational update and further expansion into NDIS plan management. NHF upgraded FY23 Australian residents' health insurance net policyholder growth to 4-5% (from 3-4%) and New Zealand net policyholder growth to 4-5% (from 3-5%). Travel and International businesses continue to be strong. In the month NHF acquired All Disability, a Port Macquarie-based NDIS plan manager.

Smartgroup Corporation (SIQ) rose 8.0% in May post a Q1 update noting positive momentum with growing electric vehicle demand. EVs accounted for +20% of total novated leasing quotes in Q1, up from 15% in 4Q22 and <1% a year earlier (both direct and corporate customers). The Q1 NPATA run rate was in line with 2H22, a particularly strong result given the loss of major client DET Victoria last year and ongoing automotive supply constraints.

Lifestyle Communities (LIC) fell 11.4% in May post revised settlement guidance down 40 to 355-365. The weaker housing market sentiment causing customers to hesitate listing their existing homes. Despite this reduction to FY23, LIC reiterated their guidance for FY23-25 of 1,400-1,700 new home settlements implying a significant ramp up over the next two years. Average cap rates in their preliminary portfolio valuation were essentially flat (-4bps to 5.14%), reflecting the resilience of the land lease sector.

Eagers Automotive (APE) fell 12.7% over the month, on the back of a softer AGM trading update. Despite maintaining full-year guidance of \$9.5b - \$10b in sales, PBT was flat for the period to April. This compared to consensus expectations of 13% growth over the half, leading to subsequent FY23 earnings downgrades. While the company pointed to ongoing challenges in vehicle supply and cost pressures across the broader economy, we believe these will be transitory. We remain of the view that an elevated orderbook and the EV JV with BYD will support earnings over the medium term.

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.

² The S&P/ASX Small Industrials Accumulation Index and the S&P/ASX Small Resources Accumulation Index are used in the table for illustrative purposes. The S&P/ASX Small Industrials Accumulation Index represents all industrial companies within the S&P/ASX Small Ordinaries Accumulation Index. The S&P/ASX Small Resources Accumulation Index represents all resource companies within the S&P/ASX Small Ordinaries Accumulation Index.

Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	-2.6	+2.0	+11.6
USA – S&P 500	+0.4	+2.9	+12.9
USA – NASDAQ Composite	+5.9	+8.0	+11.7
Europe – FTSE (UK)	-4.9	+1.7	+10.9
Europe – DAX (Germany)	-1.6	+8.9	+10.6
Asia – Nikkei (Japan)	+7.0	+15.9	+14.4
Asia – Shanghai Composite (China)	-3.4	+3.3	+4.0

Source: IRESS

Market Commentary

The Small Ordinaries Accumulation Index fell 3.3% in May underperforming the ASX200 Accumulation Index which fell 2.5%. Within the Australian market the Small Resources Accumulation Index (-7.1%) underperformed the Small Industrials Accumulation Index (-1.7%). Offshore, the S&P 500 rose 0.4%, while the Nasdaq 100 jumped 7.7%. Commodity prices were broadly weak led by Coal down 32.3%, Crude Oil -9.3%, and Copper -5.9%.

The Nasdaq outperformance highlighted a global sector rotation towards Information Technology led by rapid developments and optimism in the AI space. Chip-maker NVIDIA Corporation led the way, surging to a US\$1t market cap following a 10% beat to Q1 revenue expectations and Q2 revenue guidance 50% above consensus, fuelled by demand for its GPUs for artificial intelligence and machine learning applications. During the month we also saw Microsoft and Google continue to integrate AI tools into their search offerings and Adobe add AI features to Photoshop, including generative fill. Domestically we also saw mid-cap Tech stocks WiseTech Global (WTC) and TechnologyOne (TNE) reach new all-time highs.

Bond yields trended up through the month with the Australian 10-year increasing 27bps and the US 10-year increasing 22bps. Notably, US yield curve inversion increased during the month following a 40bps increase in the US 2-year yield. The US debt ceiling crisis drove heightened financial market uncertainty as the June 5 default deadline neared following several months of political stalemate. The Biden administration was forced to negotiate with Republicans and consistent with history, a bipartisan agreement was ultimately reached suspending the debt ceiling until 1 January 2025. Republicans were rewarded with discretionary spending reductions whilst Democrats were able to protect funding for several assistance programs.

Economic data remains closely followed as the market looks for guidance and certainty on the outlook. The RBA elected to return to tightening during May, lifting interest rates 25bps following a pause the previous month. April inflation of 6.8% surprised to the upside vs. consensus expectations of 6.4%, and national house prices rose for the third month in a row in April, led by Sydney +1.8% MoM.

We expect ongoing volatility across markets as central banks continue to try to tame inflation and believe this will continue to create equity mispricing. We remain opportunistic, adding to positions where valuations are compelling and expect the market to begin to focus on potential for economic recovery at some point in 2023.

Portfolio Top 5 Holdings

Stock	% of Fund
1 DATA #3	3.9
2 NIB HOLDINGS	3.9
3 NRW HOLDINGS	3.8
4 DETERRA ROYALTIES	3.8
5 PSC INSURANCE GROUP	3.7

Fund at a Glance

Fund Information

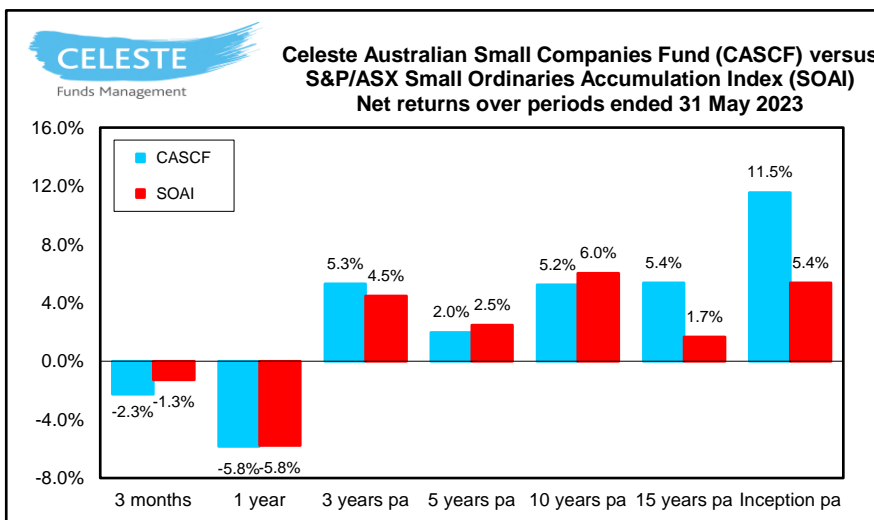
Primary Investments	Shares in listed Australian smaller companies
Investment objective	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
Unit price (redemption) as at 31.05.2023	\$3.4077
Unit price (application) as at 31.05.2023	\$3.4282
Fund Size as at 31.05.2023	\$66m
Minimum investment	\$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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