



Funds Management

Monthly update: 31 December 2023

## 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.	20 yrs % p.a.
Celeste Aust. Small Co. Fund <sup>1</sup>	+3.7	+8.2	-0.1	+8.1	+5.2	+8.0
<b>Performance (relative to Index)</b>	<b>-3.5</b>	<b>+0.4</b>	<b>-1.0</b>	<b>+1.7</b>	<b>-0.8</b>	<b>+2.4</b>
S&P/ASX Small Ords Acc Index	+7.2	+7.8	+0.9	+6.4	+6.0	+5.6
S&P/ASX Small Inds Acc Index <sup>2</sup>	+8.5	+11.4	-0.3	+5.5	+5.9	+6.0
S&P/ASX Small Res Acc Index <sup>2</sup>	+3.7	-1.3	+6.0	+10.0	+6.2	+4.5

Past performance is not indicative of future returns.

### Portfolio Commentary

The Fund rose 3.7%<sup>1</sup> (net of fees) in December, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index, increasing by 7.2%. Since inception (May 1998) the Fund's return is 11.7%<sup>1</sup> p.a. (net of all fees), against the Index's 5.5% p.a.

**Credit Corp** (CCP) rose 25.3% as the outlook for the US debt purchasing business improved post the Federal Reserve holding rates steady in Dec. and flagged at least three rate cuts in 2024. Declining debt ledger prices are likely to see CCP ramp-up purchasing. We remain attracted to the strong management team and the large US debt buying opportunity.

In December, **Breville Group** (BRG) and **Nick Scali** (NCK) saw their share prices increase by 14.6% and 12.1% respectively, largely driven by multiple expansion. BRG's P/E multiple on 12-month forward earnings expanded from 26x to 30x, while NCK's rose from 12x to 13x. Despite the lack of significant news from either company, anecdotal evidence from local peers suggested a strong Boxing Day sales period, highlighting a consumer trend towards value shopping. As we are yet to see the full impact of higher interest rates on the consumer, we expect short-term trading to remain volatile. We do note that high quality retailers with good management teams typically find a way to navigate stormy retail environments.

**MMA Offshore** (MRM) rose 18.0% over the month off the back of favourable conditions prevailing in marine services. In a recent trading update, MRM guided to 1h24 EBITDA to be in the range of \$55m - \$60m, representing a 55.4% upgrade to consensus expectations. The company pointed to the vessels, subsea and project logistics divisions all delivering higher than expected earnings for the first four months of the year. As the offshore service vessel industry is expected to remain undersupplied, we are of the view MRM will continue to benefit from higher vessel utilization and output prices over the medium-term.

**McMillan Shakespeare** (MMS) fell 10.4% in December. The company was informed their existing contract to provide novated leasing and salary packaging to the South Australian Government would not be renewed beyond Jun-24 with listed competitor, Smartgroup Corporation (SIQ), prevailing in a tender process. The contract contributed 3.4% of FY23 group revenue covering 38k salary packages and 5.6k novated leases.

### Portfolio Top 5 Holdings

Stock	% of Fund
1 AUSSIE BROADBAND	4.3
2 BREVILLE GROUP	3.9
3 LIFESTYLE COMMUNITIES	3.7
4 DATA #3	3.6
5 NICK SCALI	3.4

<sup>1</sup> 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	+7.4	+13.0	+8.9
USA – S&P 500	+4.5	+26.3	+10.0
USA – NASDAQ Composite	+5.6	+44.6	+6.0
Europe – FTSE (UK)	+3.9	+7.9	+10.2
Europe – DAX (Germany)	+3.3	+20.3	+6.9
Asia – Nikkei (Japan)	+0.1	+31.0	+9.0
Asia – Shanghai Composite (China)	-1.7	-1.1	-2.6

Source: Bloomberg

### Market Commentary

The S&P500 rose 4.5% in December, finishing marginally below all-time highs. The ASX200 rallied 7.3% during the month, it's strongest December in the past decade. Real Estate (+11.2%) was the best performing sector, while Utilities (+2.5%) lagged. Over 2023, Growth (+14.5%) slightly outperformed Value (+14.2%) while Large Caps outperformed Small Caps by 5.6%. Looking ahead, the Small Industrials Index has forecast 14.7% EPS growth compared to the ASX200 Industrials Index of only 4.0%, despite trading on a similar price-to-earnings ratio. The Small Industrials Index ended the year up +7.8% while the Small Resources Index ended down -3.1%. The top three 2023 performers in the Small Ordinaries Index were Neuren Pharma (+211.0%), Emerald Resources (+155.1%) and Westgold Resources (+152.0%) while the bottom three performers were Lake Resources (-82.8%), Brainchip (-74.4%) and Core Lithium (-74.4%).

Brent Crude was down -4.7%, having now fallen in 8 of the past 10 weeks. Iron ore was up +4.5%, capping off a +22.5% rally during the year. Gold was flat (+0.7%) having risen +13.4% over the year. Lithium spodumene prices continued their decline, now off around 86% since the start of the year. Popular short interest positions in Pilbara Minerals and Liontown Resources reached 22.9% and 14.6% of their respective floats. Nevertheless, SQM and Hancock Prospecting were undeterred by plummeting lithium prices, submitting a \$1.7b joint bid for Azure Minerals. Bitcoin ended below US\$42,000, having more than doubled since January.

ABS data showed the Australian economy grew 0.2% in the September quarter while unemployment remained at 3.8% in November. The RBA maintained their policy cash rate and expectations are for another pause in February. US CPI grew 3.1% year-on-year in November, dramatically lower than peak 2022 levels of 9.1%. This saw a dovish shift from the Federal Reserve at their December meeting, holding the target rate flat but flagging their expectation for three rate cuts in 2024. The BoE, ECB and BoJ also all left policy rates unchanged.

Tensions in the Middle-East escalated as Houthi rebels attacked vessels travelling through the Suez Canal, causing delays to global supply chains. Late in the month Israel withdrew thousands of troops from Gaza, signalling a shift to a lower-scale conflict as well as freeing up troops in the event of further conflict with Lebanon. Russia intensified attacks on Ukraine as the war enters its third year. Looking ahead, we maintain a cautious disposition given broader economic risks, and will add to the portfolio in a process consistent manner, when valuations are appropriately compelling.

<sup>2</sup> 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.

## Fund at a Glance

### Fund Information

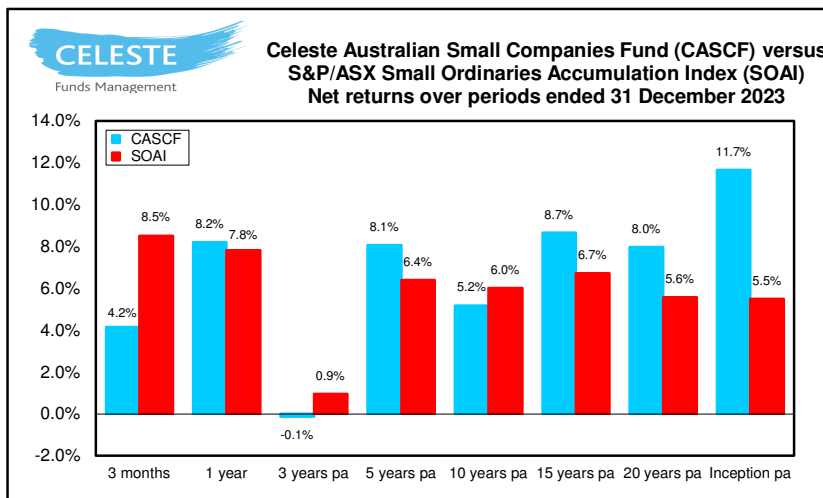
<b>Primary Investments</b>	Shares in listed Australian smaller companies
<b>Investment objective</b>	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
<b>Unit price (redemption) as at 31.12.2023 [ex-distribution]</b>	\$3.6480
<b>Unit price (application) as at 31.12.2023 [ex-distribution]</b>	\$3.6699
<b>Fund Size as at 31.12.2023 [ex-distribution]</b>	\$62m
<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.

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 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
June 23	8.93	2.7

\*\* CPU / unit price at beginning of period

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