



Funds Management

Monthly update: 31 January 2024

## 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>	+0.9	+2.7	0.0	+7.7	+5.7	+7.8
<b>Performance (relative to Index)</b>	<b>0.0</b>	<b>+0.6</b>	<b>-1.3</b>	<b>+2.3</b>	<b>-0.7</b>	<b>+2.2</b>
S&P/ASX Small Ords Acc Index	+0.9	+2.1	+1.3	+5.4	+6.4	+5.6
S&P/ASX Small Inds Acc Index <sup>2</sup>	+1.9	+6.8	+0.3	+4.9	+6.4	+6.1
S&P/ASX Small Res Acc Index <sup>2</sup>	-2.0	-9.8	+6.0	+7.9	+6.1	+4.4

Past performance is not indicative of future returns.

### Portfolio Commentary

The Fund rose 0.9%<sup>1</sup> (net of fees) in January, matching its benchmark, the S&P/ASX Small Ordinaries Accumulation Index, which also rose by 0.9%. 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.

**Judo Capital Holdings (JDO)** rose 18.0% following a strong 1H24 trading update. Front book lending margins expanded, reflecting the attractiveness of JDO's customer proposition and resulted in a net interest margin (NIM) of 3.02%. This saw 1H24 profit before tax of \$67m, ahead of consensus estimates. Ongoing cost management should result in a FY24 cost-to-income ratio of 55-57%. Credit quality remains sound and the business is well-capitalised.

**Netwealth (NWL)** rallied 9.4% ahead of a strong quarterly update released late in the month. Net inflows of \$2.6b were up 25% on the previous corresponding period with initiatives aimed at stemming recent gross outflows appearing to have succeeded. When combined with positive market movements of \$3.4b, NWL's Funds Under Administration reached \$78.0b. Member accounts were up 3,254 over the quarter, ending at 132,826. Grant Boyle, CFO since 2017, announced he would be stepping down at the end of the year.

**Credit Corp (CCP)** rose 6.2% leading up to their 1H24 result at the end of the month. The US delinquency environment has stabilised since the AGM with debt ledger prices significantly lower. This saw a tightening of CCP's full-year purchasing guidance towards the top end of the range. Pleasingly, US collections productivity has shown steady improvement over 2023 following a challenging 2022. Australian collections lagged as system volumes remained subdued however prudent management saw relatively flat cost metrics. The lending business experienced strong demand, with net lending guidance upgraded from \$50m to \$145m.

**Gold Road Resources (GOR)** fell 22.6% off the back of a disappointing quarter. Unexpected labour availability issues saw Gruyere production of 75koz in the quarter, down from 89koz in the September quarter. The labour situation remains challenging, resulting in an FY24 guidance that was below market expectations and previous company guidance. Despite this, we remain positively disposed to the quality of the asset and its location in a tier-1 mining jurisdiction.

### Portfolio Top 5 Holdings

Stock	% of Fund
1 AUSSIE BROADBAND	4.3
2 BREVILLE GROUP	3.7
3 LIFESTYLE COMMUNITIES	3.5
4 CHAMPION IRON	3.3
5 DATA#3	3.2

<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	+1.1	+7.3	+9.2
USA – S&P 500	+1.7	+20.8	+11.0
USA – NASDAQ Composite	+1.0	+32.0	+5.9
Europe – FTSE (UK)	-1.3	+2.1	+10.0
Europe – DAX (Germany)	+0.9	+11.7	+8.0
Asia – Nikkei (Japan)	+8.4	+35.6	+11.7
Asia – Shanghai Composite (China)	-6.3	-12.0	-4.8

Source: Bloomberg

### Market Commentary

The S&P 500 started the year on a positive note, advancing 1.7% in January, buoyed by optimism around easing inflationary pressures and hopes for a softer landing in the U.S. economy. The ASX200 mirrored this sentiment, climbing 1.2% led by the Energy sector (+5.2%) which had benefitted from strong Uranium prices, followed by Health Care (+5.1%) and Financials (+3.4%), while the Materials sector (-4.3%) lagged as lithium prices continued to fall. Small caps followed a similar trend with the ASX Small Ordinaries rising 0.9%. Compositionally, the ASX Small Industrials outperformed, rising 1.9% compared to the ASX Small Resources index declining 2.0%. The top three performers in the Small Ordinaries Index over the month were Boss Energy (+38.2%), Megaport (+38.2%) and Deep Yellow (+33.9%) while the bottom three performers were Calix (-50.9%), Appen (-48.4%) and Sayona Mining (-43.7%).

US 10-yr bond yields were flat (+3bps) with the Federal Reserve holding interest rates steady for a fourth straight meeting. However, widespread expectations of a March interest-rate cut were tempered as Chair Jerome Powell stated the Fed was unlikely to have made a decision by March. Elsewhere, commodity prices were mixed. Brent Crude closed higher at USD\$78.7/bbl (+6.1%) and remained volatile through the month as tensions in the Middle East continued to escalate. Of note were three American service members who were killed following a drone attack at a military base near the Syrian border. Iron Ore was flat (-0.21%), declining towards the end of the month as China's factory activity continued to contract, signalling economic woes alongside the crisis in the property industry. Gold drifted lower (-1.1%), maintaining an allure as a safe haven amidst market uncertainty.

Domestically, data flow pointed to a slowing economy with annual CPI cooling to a two-year low of 4.1%. This was in addition to retail sales falling more than expected over December erasing the gain of the previous month when consumers shopped for value on Black Friday. Sales fell 2.7% compared with an estimated 1.7% drop. While both data points emboldened bets that rate cuts would be coming towards the end of the year, the path forward for the RBA is not without challenges. Tensions in the Middle East, a disorderly energy transition and domestic tax reform give reason to believe there will continue to be fits and spurts of inflation.

As we approach February reporting season, we expect ongoing volatility as company results (both good and bad) are digested by the market and expectations are recalibrated. We hope to use this volatility to be opportunistic; and will adjust positions where valuations warrant doing so.

<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

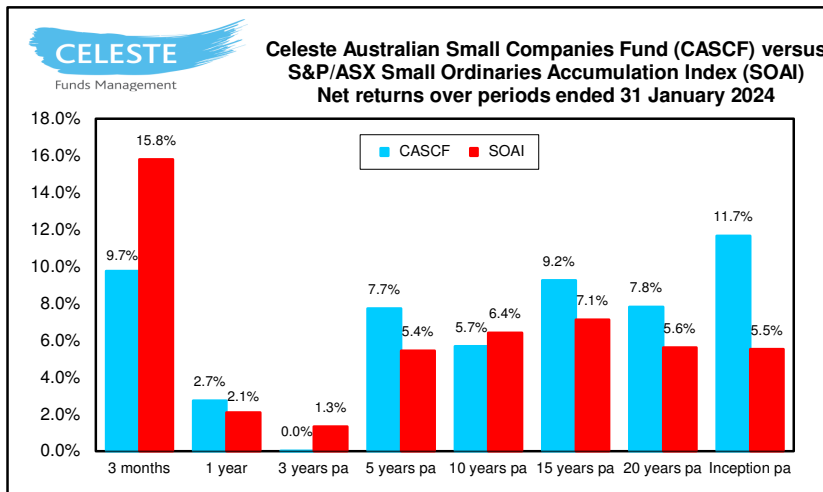
<b>Primary Investments</b>	Shares in listed Australian smaller companies
<b>Investment objective</b>	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
<b>Unit price (redemption) as at 31.01.2024</b>	\$3.6803
<b>Unit price (application) as at 31.01.2024</b>	\$3.7024
<b>Fund Size as at 31.01.2024</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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