

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 ¹	+2.0	+16.6	+1.7	+7.2	+6.3	+7.8
Performance (relative to Index)	-2.8	+2.8	-1.0	+1.8	-0.4	+2.0
S&P/ASX Small Ords Acc Index	+4.8	+13.8	+2.7	+5.4	+6.7	+5.8
S&P/ASX Small Inds Acc Index ²	+3.5	+20.5	+1.7	+4.9	+6.7	+6.4
S&P/ASX Small Res Acc Index ²	+8.5	-2.8	+7.5	+7.9	+6.5	+4.3

Past performance is not indicative of future returns.

Portfolio Commentary

The Fund rose 2.0%¹ (net of fees) in March, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index, increasing by 4.8%. Since inception (May 1998) the Fund's return is 11.9%¹ p.a. (net of all fees), against the Index's 5.7% p.a.

MMA Offshore (MRM) rose 22.0% over the month off the back of a takeover bid at \$2.60 from private equity group, Seraya Partners. The bid represented a 20% premium to 30-day VWAP and values MRM at \$1.03b. Directors have recommended shareholders vote in favour of the bid, and it remains subject to other conditions precedent including: an Independent Expert Report, Federal Court approval and FIRB. We believe the initial bid is opportunistic and while timing of the cycle can be difficult, we are of the view the cycle still has a few more years to run.

KMD Brands (KMD) rose 8.2% over the month post the company's 1H24 result. The result was no surprise given the company had pre-reported in February. Kathmandu brand sales were down 21.5% due to a warmer than expected winter and Rip Curl brand sales were down 9.2% as wholesale accounts continued to reduce their global inventory levels. While the result was weak, we believe the issues weighing on the company are transitory and the stock remains attractively valued. Due to the large fixed cost base inherent in their large store footprint, we expect KMD to benefit from significant operating leverage once sales recovers.

Bellevue Gold (BGL) rallied 23.2% following a strong operational update. Gold production continues to ramp-up with the mill recording the third straight month in a row at nameplate capacity. Stopping tonnes continued to increase with the rising processed grade reconciling well with the modelled project assumptions.

Aussie Broadband (ABB) fell 21.3% in March. During the month Origin Energy (ORG) informed ABB of the termination of their white label wholesale agreement effective April 2024. ORG will move the contract to listed competitor Superloop (SLC). The contract was expected to contribute \$14m EBITDA in FY24, equating to 13% of the mid-point of company EBITDA guidance. ABB also lost a interlocutory injunction to retain 8% of the acquired 20% equity position in SLC due to this constituting a constitutional breach.

Portfolio Top 5 Holdings

Stock	% of Fund
1 INFOMEDIA	3.5
2 BREVILLE GROUP	3.5
3 LIGHT & WONDER	3.5
4 AUSSIE BROADBAND	3.4
5 FLEETPARTNERS	3.1

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	+3.1	+15.0	+9.5
USA – S&P 500	+3.2	+29.9	+11.5
USA – NASDAQ Composite	+1.8	+35.1	+8.2
Europe – FTSE (UK)	+4.8	+8.4	+9.9
Europe – DAX (Germany)	+4.6	+18.3	+7.2
Asia – Nikkei (Japan)	+3.8	+46.6	+13.7
Asia – Shanghai Composite (China)	+0.9	-4.5	-1.6

Source: Bloomberg

Market Commentary

Equity markets continued to dazzle and amaze in March, taunting and frustrating bears who shriek about valuations relative to bond yields. Equity markets continue to be led higher by the US, with the NASDAQ up 1.8% and the S&P500 up 3.2%. Domestically the Small Ords up 4.8%, outperformed their large cap brethren, with the ASX100 up 3.1%. The Small Ords outperformance reflects the markets acceptance that Central Banks will cut rates in CY24, although which month remains uncertain. More specifically the Small Resources up 8.5%, beat the Small Industrials up 3.5%.

Around the world, key Central Banks met in March with the rates broadly left on hold. The US Fed announced that it would maintain its policy rate in a range of 5.25% to 5.5%. The March decision marks the fifth consecutive meeting at which the Fed has opted to hold interest rates steady. The Fed predicts making three, quarter-point cuts by the end of 2024 to lower the federal funds rate to 4.6%. While inflation has started to recede, the US economy continues to grow and the labour market is robust, as such, the committee has signalled it will remain data dependent before initiating rate cuts. The Bank of Japan was an outlier, raising rates and ending eight years of negative interest rates.

Domestically, the RBA is similarly circumspect about cutting rates, leaving rates on hold at their March meeting. While the growth in the broader economy is anaemic, the labour market is strong, with February 2024 unemployment falling 0.4pp to 3.7%. Fiscal policy, particularly policies fuelling real wage growth, continue to play chicken with the inflation genie that should otherwise be quietly receding back into its bottle.

Gold made all-time highs in March, reaching US\$2,230 per ounce. The price of bullion has been supported by market confidence that Central Banks will soon begin to cut rates making non-yielding assets, such as gold, more attractive. With the AUD/USD exchange rate having hovered at c\$0.65 for an extended period, this equates to an gold price in excess of A\$3,000, which is supportive of strong free cash flow generation from Australian based gold producers, such as GOR and BGL.

The Funds performance in March was disappointing relative to broader index moves. We continue to believe that fund performance should always be viewed through a longer-term lens as short-term volatility reflects trading not investing. At Celeste, we remain committed to identifying and investing in high quality, free cash flow generating companies trading at a discount to our assessment intrinsic value.

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.

Fund at a Glance

Fund Information

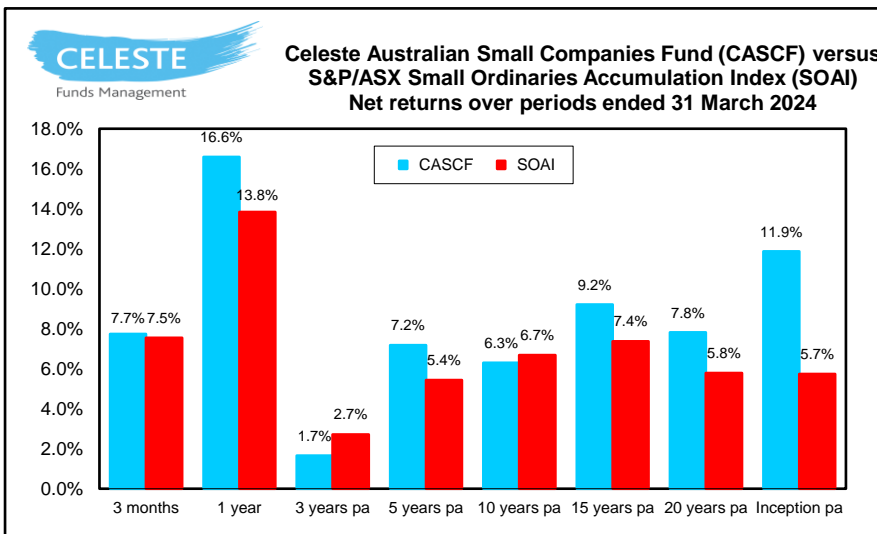
Primary Investments	Shares in listed Australian smaller companies
Investment objective	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
Unit price (redemption) as at 31.03.2024	\$3.9302
Unit price (application) as at 31.03.2024	\$3.9539
Fund Size as at 31.03.2024	\$67m
Minimum investment	\$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 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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