

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	-1.5	+3.3	-4.5	+4.3	+5.5	+6.9
Performance (relative to Index)	+0.5	-5.2	-1.6	+0.4	-0.3	+1.7
S&P/ASX Small Ords Acc Index	-2.0	+8.5	-2.9	+3.9	+5.8	+5.2
S&P/ASX Small Inds Acc Index ²	-1.9	+12.2	-2.8	+3.4	+6.1	+5.8
S&P/ASX Small Res Acc Index ²	-2.2	-1.8	-2.1	+6.7	+5.0	+4.0

Past performance is not indicative of future returns.

Portfolio Commentary

The Fund declined 1.5%¹ (net of fees) in August, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index, decreasing by 2.0% for the month. Since inception (May 1998) the Fund's return is 11.5%¹ p.a. (net of all fees), against the Index's 5.5% p.a.

KMD Brands (KMD) rose 30.9% over the month post a 4Q/24 trading update. While sales growth across the 3 major brands was still negative, the decline showed an improving trend versus the 1h24 and Q3 results. Gross profit margin trimmed slightly by 30bp to 58.8% however inventory remains in good shape, \$25m lower than pcp and debt is modest at \$60m. As interest rates decline and consumer activity reemerges, we expect KMD to be a beneficiary.

MA Financial (MAF) rallied 18.9% on the back of a solid 1h24 result, highlighting the strength of the diversified financial model. Gross fund flow was \$1.1bn, lifting total AUM to \$9.7bn. MA Money loan book hit \$1.4bn. Finsure managed loans closed the half at \$121bn with broker count +21% to just under 3,500. Advisory and equities will be beneficiaries of better market activity. Several new credit initiatives in private credit and commercial lending together with lower investment should underpin a strong FY25 result.

The FY24 **Judo Capital (JDO)** result was strong, reporting underlying profit before impairment (exc. Covid funding) of \$121m, up 40% on pcp. The \$10.7bn loan book was well-funded with \$8.2bn in deposits. JDO retains \$1.7bn in total capital for a very strong 17.5% total capital ratio. The FY25 loan book is forecast to grow to \$12.8bn with net interest margin (NIM) likely to strengthen beyond the 2.94% reported in FY24. With the investment already made in IT systems and a flat workforce, JDO is likely to see fixed cost leverage deliver substantial earnings growth going forward.

Breville Group (BRG) delivered another tradesman like performance for the FY24 result. Revenue up 3.5% to \$1.5bn driven by new products and geographical expansion. Gross profit lifted 7.7% to \$557m (margins +140bp) with the all-important EBIT result 8.0% higher at \$246m. The 2h24 result was underpinned by a strengthening in consumer activity and strong performance in the coffee category. Inventory levels have normalised post covid and this resulted in strong cash generation leaving BRG with \$54m of net cash. With different activity across many consumer theatres BRG has sufficient diversity to deliver another strong FY25 result.

Portfolio Top 5 Holdings

Stock	% of Fund
1 BREVILLE GROUP	4.3
2 JUDO CAPITAL	3.9
3 AUB GROUP	3.7
4 LIGHT & WONDER	3.6
5 AUSSIE BROADBAND	3.6

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	+0.4	+14.7	+6.3
USA – S&P 500	+2.4	+27.1	+9.4
USA – NASDAQ Composite	+0.7	+27.1	+5.9
Europe – FTSE (UK)	+0.9	+16.9	+9.6
Europe – DAX (Germany)	+2.2	+18.6	+6.1
Asia – Nikkei (Japan)	-1.1	+20.7	+13.5
Asia – Shanghai Composite (China)	-3.1	-6.3	-4.6

Source: Bloomberg

Market Commentary

Equities markets started the month in free fall, the ASX 200 down 6% in the first three trading sessions, due to the potentially disruptive unwind of Yen carry trade. The frenzied sell off was short lived with attention turning to Central Bank commentary over the direction of interest rates dominated the markets attention. The annual Jackson Hole symposium, saw US Fed Reserve Governor, Jay Powell, announce that "the time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data." As a consequence, the market is now debating whether the first cut will be 25bps or 50bps. Meanwhile, the RBA indicated that they will be one of the last Central Banks to cut rates, with Governor Michelle Bullock stating, "A near term reduction in the cash rate does not align with the Board's current thinking".

Reporting Season (RS) continues to ensure a busy August as corporate data releases outweigh the time available to process them. Forward-looking statements weighed more on share price moves than historical statements about FY24. RS was disappointing versus expectations with 27% of stocks beating, 47% in-line and 26% missing. More importantly outer years earnings estimates were savaged with 46% of stocks downgraded for FY25 with only 20% upgraded. EPS revisions have been -3.4% which means post the broader move in the market, PE's for FY25 have expanded by around 1.2x. The standard deviation of one-day returns reached 6%, double that of 15 years ago. While interest costs appear to have been harder to forecast this season and led to negative earnings impacts, balance sheets remain in good shape with the market wide ND/EBITDA below 2.0x.

Most stocks reporting suggested business activity has reached normalisation post covid. Retail and customer purchasing habits have seen inventories across most sectors revert to normal with cost bases under less demand strain. Employee availability in most cases appears to be improving albeit the cost of staff continues to rise as wages trail inflation and incur higher super contributions. Mentions of the word "inflation" in corporate management presentations declined 49% on 2023. Housing stocks continued to suggest weakness despite a widely recognised chronic underbuild in residential. Cap rates in property continued to expand with the outlook for office still uncertain. Management teams appear to be trialling AI across various business applications but there is little concrete evidence yet around how this will change work processes and costs. Valuations continue to look stretched with the market seemingly happy to pay well above historic multiples for earnings certainty.

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 31.08.2024	\$3.6662
Unit price (application) as at 31.08.2024	\$3.6883
Fund Size as at 31.08.2024	\$64m
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

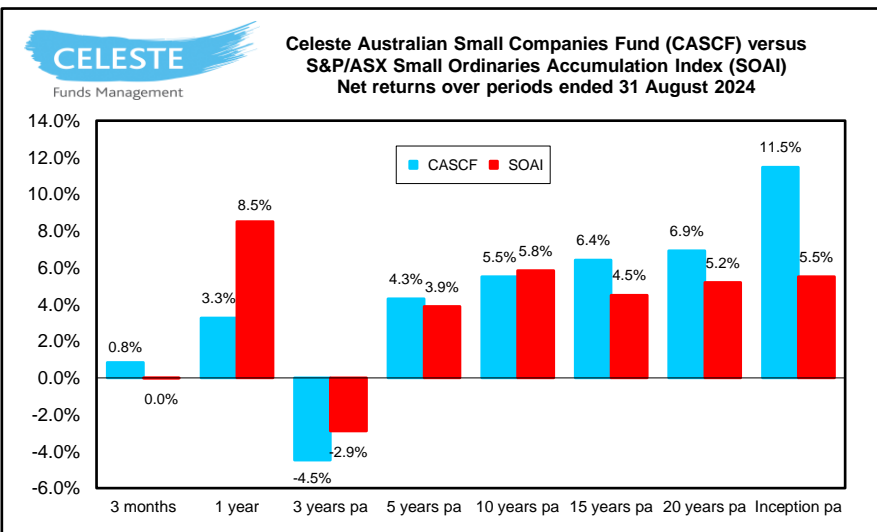
* These fees and charges apply for the duration of the Product Disclosure Statement (PDS) and are inclusive of the Goods and Services Tax.

** 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

Distribution History



Total distribution year ended	Cents Per Unit	Annual Yield %**
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
June 24	11.98	3.4

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** CPU / unit price at beginning of period

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