CELESTE
Funds Management

Monthly update: 31 May 2025

Celeste Australian Small Companies Fund

Fund Update

On 20th May 2025, The Trust Company (RE Services) Limited (ACN 003 278 831 AFSL No. 235150) (Perpetual), as responsible entity of the Celeste Australian Small Companies Fund (Fund) determined, in accordance with clause 10 of the Fund's constitution and section 601NA(b) of the Act, that the Fund will be terminated on 27th May 2025 and Perpetual will proceed to wind up the Fund. A Notice of Termination was sent to all unitholders on 20th May 2025.

The Fund's assets have now been converted to Cash. A final distribution will be determined and paid to unitholders along with a final redemption of the remaining net assets of the Fund. These payments are expected to occur in late June 2025.

Portfolio Commentary

AUB Group (AUB) rallied 8.1% during May. AUB announced that, due to favourable trading momentum, it expects its FY25 underlying net profit after tax (UNPAT) to reach the upper end of its previously forecast range of A$190m to A$200m. This underscores AUB's ability to manage macroeconomic pressures through various strategic levers, easing investor concerns about the impact of softening insurance premium rates.

Superloop (SLC) rose 8.0% over the month of May. During the month the company confirmed they had reached 200,000 Origin broadband subscribers on the Superloop network meeting Milestone 3 in their Origin Energy (ORG) contract, reflecting continued strong momentum in wholesale subscriber growth. Additionally, during the month, a number of RSPs including Superloop announced price increases in excess of upcoming July NBN wholesale cost increases reflecting continuing rationality across the broader market.

Fleetpartners Group (FPR) rose 6.1% over the month. FPR reported its 1H25 result, with NPATA of $38.9 million, down 7% due to lower end-of-lease income, though up 10% when excluding it. The completion of the Accelerate transformation program is expected to deliver $6 million in annualised cost savings and improve operational efficiency. While New Business Writings declined 17% due to system cutover disruptions and prior period comparisons, the Group maintained strong cash generation and delivered 8% growth in net operating income (pre-EOL and provisions).

Ridley Corporation (RIC) rose 15.6% over the month of May. Having long had firepower for M&A, the company acquired Incitec Pivot Fertilisers Distribution from Dyno Nobel (DNL) for a total consideration of $300m. This was funded with a $125m equity raising along with existing balance sheet capacity. The acquisition is highly complementary to RIC's existing business involving distribution, commodity risk management and logistics on the east coast of Australia. The acquisition is expected to be 18%+ accretive pre-synergies and 25%+ accretive post synergies ($7m p.a.).

MA Financial (MAF) ended the month up 8.5%. MAF announced its acquisition of IP Generation, a Melbourne-based real estate investment manager specializing in Australian shopping centres, for approximately $90.4 million, primarily in MAF shares. The acquisition boosts the Group's assets under management to over $12 billion and significantly expands its real estate capabilities, particularly in retail property. The transaction is expected to be accretive to FY25 underlying EPS on a full year pro forma basis.

Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	+4.2	+12.4	+9.3
USA – S&P 500	+6.3	+13.5	+14.4
USA – NASDAQ Composite	+9.6	+15.0	+17.4
Europe – FTSE (UK)	+3.8	+10.1	+9.0
Europe – DAX (Germany)	+6.7	+29.7	+18.6
Asia – Nikkei (Japan)	+5.3	+0.6	+13.9
Asia – Shanghai Composite (China)	+2.2	+12.2	+4.6

Source: Bloomberg

Market Commentary

Markets entered the final week of May wrestling with a tug-of-war between central bank dovishness and geopolitical unpredictability. The Reserve Bank of Australia (RBA) executed a notable pivot, accelerating its path back to neutral policy despite subdued data and mixed signals on consumption. With 125bps of cuts now priced in by year-end, the stimulus backdrop is becoming supportive for domestic sectors tied to housing and discretionary consumption, though underlying risks from inflation stickiness and rising mandated wage pressures could undermine the RBA's timing.

The Australian equity market underperformed global peers, with the ASX up +4.2% versus a +6.3% rise in the S&P 500. Performance across sectors and stocks were broad based with the ASX 200 Equal-weighted Index closing +5.5% higher vs +3.8% for the cap-weighted ASX 200 Index (price return). All sectors contributed positively, Financials (+172bps) added the most value, while Technology (+19.8%) the best performing.

Globally, markets remain on edge with Trump's erratic trade and fiscal positioning reintroducing volatility. Talk of 50% tariffs on the EU and fresh attacks on Apple stoked risk-off sentiment, although equity downside was restrained. Bond markets tell a more troubling story - bear steepening continues, with the 5s–30s curve doing the heavy lifting, raising concerns over the durability of equity valuations, especially in duration-sensitive names. Notably, "real money" outflows picked up, and CTA bid support is fading as positioning normalises. With the SPX flirting with its 200dma and retail inflows decelerating, market sensitivity to macro headlines is poised to increase.

In early May, gold prices retreated from April's peak of approximately US$3,500 per ounce, declining to around US$3,200 by mid-month. This correction was attributed to easing trade tensions and a strengthening U.S. dollar, which diminished gold's appeal as a safe-haven asset. However, as the month progressed, renewed concerns over global economic stability and geopolitical developments reignited demand for gold.

After two decades at Celeste, the time has come to close this chapter with immense gratitude and pride. Over the past 20 years, we've navigated markets with discipline, caution, and conviction. We have delivered long term tax-effective returns for the Celeste Australian Small Companies Fund, outperforming our benchmark by 164 basis points per annum after fees. This would not have been possible without the dedication, professionalism, and integrity of our exceptional team, nor without the trust and support of our valued clients, many of whom have been with us since the beginning. To each of you: thank you for allowing us the privilege to steward your capital. It has been an honour.

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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 31.05.2025	$3.6063
Unit price (application) as at 31.05.2025	$3.6280
Fund Size as at 31.05.2025	$52m
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 for more information. (https://documents.feprecisionplus.com/tmd/PCT/TMD/N8Z8-FAM0101AU.pdf)