

### Celeste Australian Small Companies Fund

Monthly update 30 November 2014

#### Performance Statistics (Net of fees)

	1 mth %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	10 yrs % p.a.
Celeste Aust. Small Co. Fund	-6.6	-12.4	+2.6	+2.9	+5.0
Performance (relative to Index)	-2.8	-10.6	+3.6	+4.2	+2.8
S&P/ASX Small Ords Acc Index	-3.8	-1.8	-1.0	-1.3	+2.2
S&P/ASX Small Inds Acc Index	-2.1	+4.2	+13.1	+6.6	+3.7
S&P/ASX Small Res Acc Index	-11.9	-24.1	-31.6	-20.4	-2.0

Past performance is not necessarily indicative of future returns.

The Fund fell 6.6% in November, with its benchmark, the ASX Small Ordinaries Accumulation Index down 3.8%. Since inception (May 1998) the Fund's return is 14.1% pa, net of all fees, against the Index's 4.6% pa.

#### Portfolio Commentary

**Steadfast (SDF)** rose 10.2% over November. Positive first qtr revenue growth was driven by better fees & commissions despite an ongoing weak gross written premium environment. Efficiencies remain on track to deliver savings and in turn, drive operating profit growth. Steadfast reaffirmed strong 2015 cash eps growth of between 10% to 13%, excluding acquisitions.

**OzForex (OFX)** rose 6.4% over November after reporting an interim 2015 result, exceeding 12 months prospectus forecasts. Weaker growth in new dealing clients over the 12 months was offset by stronger existing client retention and a higher average transaction value. The licensing roll out through the US is now largely complete and this is driving significant new client growth. Strong conversion has occurred in international white labelled payment solutions & web based embedded applications.

**Skilled (SKE)** declined 14.6% in November. The company announced the acquisition of the remaining 50% of their marine joint venture, OMSA for \$10.6m or 6 months cash flow. Taking the JV into full ownership will consolidate the Broadsword marine business with OMSA. This should deliver better contract bidding, merging the tug & barge operations with marine support vessels. It is also expected to deliver meaningful back office cost reductions.

**MACA Limited.** The company announced that its civil division had been awarded 3 contracts, increasing work in hand by \$43m. The 23% price decline can be attributed to weaker gold & iron ore prices which represent MACA's largest commodity exposure.

**RCR Tomlinson** declined 21%. The AGM provided an opportunity for the company to reaffirm its strategic objectives, including increased exposure to large infrastructure projects. Specific initiatives targeted for 2015 include increased focus on rail, transport and power infrastructure and further developing its engineering and technology capability.

#### Portfolio Top 5 Holdings

Stock	% of Fund
1 REECE AUSTRALIA	6.2
2 STEADFAST GROUP	6.2
3 BREVILLE GROUP	5.2
4 SKILLED GROUP	4.5
5 SUNLAND GROUP	4.5

#### Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	-3.2	+4.0	+13.0
USA – S&P 500	+2.5	+14.5	+18.4
USA – NASDAQ Composite	+3.5	+18.0	+22.3
Europe – FTSE (UK)	+2.7	+1.1	+6.9
Europe – DAX (Germany)	+7.0	+6.1	+17.9
Asia – Nikkei (Japan)	+6.4	+11.5	+27.4
Asia – Shanghai Composite (China)	+10.9	+20.8	+4.8

#### Monthly Commentary

November saw a continuation of a market lead by the large companies and more particularly dominated by the large Banks. The five year chart below graphs the relative performance of the S&P ASX Small Ordinaries in blue against the All Ordinaries in green, the ASX 100 in red and the Finance Index in purple. What it clearly illustrates is that up until mid-2012 the four indices performed broadly in line. Since that date the Small Ordinaries have dramatically underperformed its counterparts and produced negative absolute returns. The broader market has been eclipsed by the stellar performance of the banks which have produced strong absolute as well as relative returns.



Australia's major trading partners China and Japan both saw a continuation of weaker than expected growth. Japan's economy unexpectedly shrank for the second consecutive quarter, leaving the world's third largest economy in technical recession. China cut benchmark interest rates for the first time since July 2012 in an effort to prop up growth after figures showed that manufacturing activity in the country is nearing a contraction. The Australian Dollar fell 3.4% over the month to close the month at US 84.9c. Commodity price deflation continued in November with Iron Ore continuing its slide, down 9% for the month to US \$70/t, contributing to an 8% fall in the mining sector. At the end of the month there was a savage fall in the Oil price, down 18% over the month driving the energy sector down 13%. Oil slid as the OPEC cartel flexed its muscle and decided not to cut production. The oil price is now down over 35% from its June high. There appears to be little relief from the falls given OPEC's recently stated position. We expect that markets will remain volatile in the coming months.

At Celeste we remain focused on executing our process, irrespective of the prevalent market mood, with a focus on meeting our alpha objective over the medium to longer term.

# CELESTE

Funds Management

## Fund at a Glance

### Fund Information

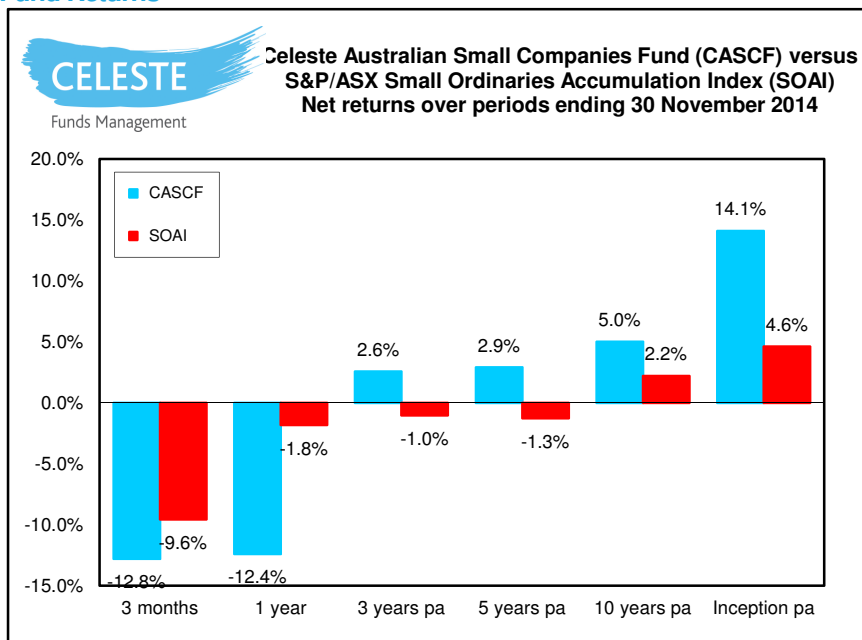
<b>Primary Investments</b>	Shares in listed Australian smaller companies
<b>Investment objective</b>	Small Ordinaries Acc Index + 5% p.a. over rolling 3 years
<b>Unit price (redemption) as at 30.11.2014</b>	\$2.6431
<b>Unit price (application) as at 30.11.2014</b>	\$2.6591
<b>Fund Size as at 30.11.2014</b>	\$143m
<b>Minimum investment</b>	\$25,000
<b>Minimum additional investment</b>	\$1,000
<b>Minimum balance</b>	\$15,000
<b>Minimum investment: monthly investment plan</b>	\$500
<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>	0.95%
<b>Performance fee**</b>	20% of return above benchmark
<b>OGFM***</b>	0.95% p.a.

\* 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.

\*\*\* The Ongoing Fee Measure (OGFM) is the total amount of the ongoing Manager and Custodian Fees and aggregate Fund expenses in a Financial Year (but excluding the performance fee), divided by the average Net Asset Value of the Fund for the Financial Year expressed as a percentage. Transactional costs, such as bank charges, brokerage and stamp duties are not included in the ratio. The OGFM for the Fund will not exceed 0.95% p.a. for the duration of the PDS.

### Fund Returns



### Distribution History

Total distribution year ended	Cents Per Unit	Annual Yield %*
June 05	49.48	19.5
June 06	18.88	7.3
June 07	34.32	12.3
June 08	38.82	9.9
June 09	10.06	4.2
June 10	18.70	8.9
June 11	11.89	4.6
June 12	4.07	1.4
June 13	15.81	5.5
June 14	14.56	5.4

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\* CPU / unit price at beginning of period

This report is intended to provide only general securities advice. Celeste Funds Management Limited does not purport to make any recommendation that any securities transaction is appropriate to your particular investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from your adviser, on whether any relevant part of this report is appropriate to your individual circumstances. Celeste Funds Management Limited believes that the information contained in this report has been obtained from sources that are accurate, but it has not checked or verified that information. Except to the extent that liability cannot be excluded, Celeste Funds Management Limited accepts no liability for any losses or damage caused by any error in or omission from this report

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