

Celeste Australian Small Companies Fund

Monthly update 30 June 2017

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	+1.5	+26.1	+8.6	+7.0	+3.2
Performance (relative to Index)	-0.5	+19.1	+1.5	+1.3	+5.1
S&P/ASX Small Ords Acc Index	+2.0	+7.0	+7.1	+5.7	-1.9
S&P/ASX Small Inds Acc Index	+2.4	+7.9	+9.2	+11.4	+0.6
S&P/ASX Small Res Acc Index	0.0	+3.6	-1.7	-11.0	-9.0

Past performance is not necessarily indicative of future returns.

The Fund rose 1.5% in June, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index increasing by 2.0%. Since inception (May 1998) the Fund's return is 13.9% pa, net of all fees, against the Index's 5.3% pa.

Portfolio Commentary

Cleanaway Waste Management (CWY) increased 4.2% in the month, after announcing the award of an initial 10 year resource recovery and post collections contract with the Brisbane City Council for \$330m. The Company also announced a planning permit extension for the Melb. Regional Landfill operation until 2046.

MACA Ltd (MLD) rose 4.8% in June, announcing that it was the preferred contractor on the Ramelius Resources Mt Magnet Gold Project. The open pit mining contract includes drilling and blasting, loading and hauling, and will be worth some \$100m over a 32 month period. In June, MLD also announced that it was the preferred contractor for the bulk earthworks package at the Gruyere Gold Project, a contract believed to be worth some \$50m.

Monadelphous (MND) increased 7.6% in the month, after announcing 3 contract wins with an aggregate value of some \$900m. The largest of the contracts awarded is worth \$600m and is with Woodside Energy (WPL). The WPL contract is for 5 years, with a 2 year extension option, and will see MND providing maintenance services to WPL's gas production facilities in the north west of Western Australia.

SMS Management and Technology (SMX) increased 1.4% in June. During the month, the Company received a binding offer from ASG Group of \$1.80 cash per share. DWS, which had previously offered \$1.00 cash and 0.39 DWS shares, did not exercise its right to match or make a counter offer.

IMF Bentham (IMF) drifted lower by 4.1% over June. Increased activity in US funding has seen IMF report that FY17 was a record year for global case funding. With a strict adherence to investment process, a 2.5 year average case duration and an historic 90% win rate, this front book addition bodes well for earnings and cash flow over the next few years. We continue to see significant value in the current 61 case, \$3.7bn investment case portfolio.

Portfolio Top 5 Holdings

Stock	% of Fund
1 IMF BENTHAM	5.1
2 CLEANAWAY WASTE MANAGEMENT	5.0
3 AMA GROUP	4.7
4 BREVILLE GROUP	4.6
5 STEADFAST GROUP	4.5

Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	+0.3	+13.1	+6.8
USA – S&P 500	+0.5	+15.5	+7.3
USA – NASDAQ Composite	-0.9	+26.8	+11.7
Europe – FTSE (UK)	-2.8	+12.4	+2.7
Europe – DAX (Germany)	-2.3	+27.3	+7.8
Asia – Nikkei (Japan)	+1.9	+28.6	+9.7
Asia – Shanghai Composite (China)	+2.4	+9.0	+15.9

Monthly Commentary

Equity market performance around the globe was mixed in June. The positive mood at the start of the month dissipated as June progressed, buffeted by a bond market sell off. Central banks around the globe highlighted that accommodative monetary policy measures had largely reached their limits and that rate increases were likely in the short to medium term.

In June, the IMF increased their forecast for China's GDP in 2017 from 6.6% to 6.7%. The IMF noted that, "...China continues to transition to a more sustainable growth path and reforms have advanced across a wide domain. We are confident that China will once again find its way through the challenges ahead...". Inflation in China increased to 1.5% year on year in May, one of the lowest readings in recent years, and materially below the upper range of the government's inflation target of 3%. China's trade with economies along the 'One Belt One Road (OBOR)' area grew 26.2% in Q1, year on year. The Chinese Ministry of Commerce reported that China's exports to OBOR countries rose by 15.8% in Q1, year on year, whilst imports grew by 42.9%.

In June, the US Federal Reserve decided to raise the target range for the federal funds rate to 1.25%, from 1%, the second increase in 2017, and the highest level seen since 2008. It also noted that it would, "...gradually reduce the Federal Reserve's security holdings...", a legacy of its quantitative easing program, and a portfolio which stands at \$US4.2 trillion of financial assets. The US unemployment rate fell to 4.3% in May, a 16 year low, and the lowest rate seen since May 2001. In May the labour force participation rate stood at 62.7%, whilst average hourly earnings rose by 4c to \$26.22. Over the year US average hourly earnings have risen by 2.5%. Annualised US GDP of 1.2% in Q1, was impacted by a number of transitory factors, with expectations that it will rebound in Q2, and average 2% in 2017.

In Australia, Q1 GDP grew 0.3%, quarter on quarter, to an annualised 1.7%, the slowest growth rate seen in over 7 years. Whilst growth has slowed in recent quarters, the Q1 GDP performance means that Australia can lay claim to 26 years of continuous economic expansion. In May, the unemployment rate fell to 5.5%, a 4 year low, with the participation rate at a 10 month high of 64.9%. In June, the South Australian Government announced its intention to introduce a state specific bank levy, following on from the May Federal Government Bank levy announcement.

We anticipate that equity markets around the world will have a heightened sensitivity to bond market movements, and to Central Bank messaging, in the short term. We remain sensitive to short term volatility, and will look to add to the portfolio in a process consistent manner should attractive opportunities emerge.

CELESTE

Funds Management

Fund at a Glance

Fund Information

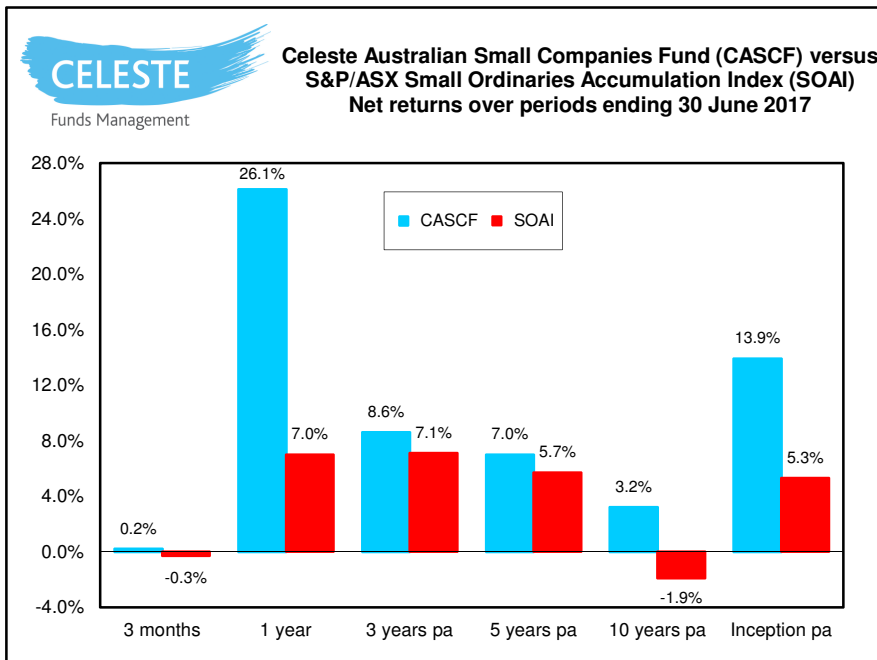
Primary Investments	Shares in listed Australian smaller companies
Investment objective	Small Ordinaries Acc Index + 5% p.a. over rolling 3 years
Unit price (redemption) as at 30.06.2017 [ex-distribution]	\$3.2243
Unit price (application) as at 30.06.2017 [ex-distribution]	\$3.2438
Fund Size as at 30.06.2017	\$56m
Minimum investment	\$25,000
Minimum additional investment	\$1,000
Minimum balance	\$15,000
Minimum investment: monthly investment plan	\$500
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*	1.20% p.a.
Performance fee**	20% of return above benchmark
OGFM***	1.20% 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 1.20% p.a. for the duration of the PDS.

Fund Returns



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Distribution History

Total distribution year ended	Cents Per Unit	Annual Yield %*
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
June 15	12.67	4.5
June 16	9.95	4.0
June 17	6.87	2.6

* CPU / unit price at beginning of period

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