



Funds Management

Monthly update: 31 December 2024

## 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 <sup>1</sup>	-3.0	+4.8	-3.1	+3.4	+7.3	+6.1
<b>Performance (relative to Index)</b>	<b>+0.1</b>	<b>-3.6</b>	<b>-1.5</b>	<b>-0.6</b>	<b>0.0</b>	<b>+1.4</b>
S&P/ASX Small Ords Acc Index	-3.1	+8.4	-1.6	+4.0	+7.3	+4.7
S&P/ASX Small Inds Acc Index <sup>2</sup>	-3.1	+12.1	-0.8	+3.3	+6.8	+5.3
S&P/ASX Small Res Acc Index <sup>2</sup>	-3.1	-2.0	-3.3	+7.6	+9.6	+3.7

Past performance is not indicative of future returns.

### Portfolio Commentary

The Fund fell 3.0%<sup>1</sup> (net of fees) in December, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index, decreasing by 3.1% for the month. Since inception (May 1998) the Fund's return is 11.4%<sup>1</sup> p.a. (net of all fees), against the Index's 5.6% p.a.

**Omni Bridgeway (OBL)** rallied 40.8% off the back of a transformative secondary market transaction. OBL announced the establishment of a new fund with Ares Management to acquire OBL's co-investments across several existing funds. OBL will remain the manager of the assets within the new fund, earning an additional management fee. This transaction represents a significant shift towards a capital light, funds management model via full deleveraging of the balance sheet and a substantial reduction in co-invest obligations on legacy funds in harvesting stage.

**Champion Iron (CIA)** rose 0.3% in December as they announced a partnership with Nippon Steel Corporation and Sojitz Corporation for the development of the Kami iron ore project. Under the partnership, Nippon Steel and Sojitz will initially contribute \$245m for 49% of the interest with future payments subject to project performance. CIA and the partners will then share development and construction costs in accordance with respective ownership interests. The project will benefit from up to \$490m in contributions prior to CIA requiring additional capital funding for its pro-rata share.

**Gold Road Resources (GOR)** rose 9.9% following Northern Star's (NST) proposed acquisition of De Grey (DEG), of which GOR owns 18%. Under the scheme, DEG shareholders would receive 0.119 new NST shares per DEG share owned, an implied 37% premium to the undisturbed price. GOR are yet to announce their intentions with regards to their holding.

**Data#3 (DTL)** fell 18.0% following key partner Microsoft's changes to its partner incentive program effective Jan-25. The changes primarily involve a shift in focus towards newer product areas, including Copilot, Security and Azure. All else equal, the changes would have had a 3% impact to FY24 gross profit. Management has implemented a range of strategic initiatives to manage the changes and expects the financial impact to be immaterial in FY25.

### Portfolio Top 5 Holdings

Stock	% of Fund
1 JUDO CAPITAL	4.9
2 BREVILLE GROUP	4.5
3 NETWEALTH	4.4
4 AUB GROUP	4.2
5 CHAMPION IRON	3.6

<sup>1</sup> 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	+11.4	+6.9
USA – S&P 500	-2.4	+25.0	+8.9
USA – NASDAQ Composite	+0.6	+29.6	+8.1
Europe – FTSE (UK)	-1.3	+9.7	+7.4
Europe – DAX (Germany)	+1.4	+18.8	+7.8
Asia – Nikkei (Japan)	+4.5	+21.3	+13.7
Asia – Shanghai Composite (China)	+0.9	+16.1	0.0

Source: Bloomberg

### Market Commentary

Equity markets had a soft finish to the calendar year with the ASX 200 down 3.2% for the month of December. The Small Ords declined by 3.1%, with both the Small Industrials and Small Resources down by the same amount. In the US, the S&P 500 declined 2.4% and the Nasdaq rose 0.6%. Small Cap US stocks fared poorly, with the Russell 2k down 8.3% for the month.

The US Federal Reserve cut the key Federal Funds rate by another 25 basis points in December, taking total cuts for the year to 100 basis points across 3 meetings. Financial markets reacted negatively (S&P500 -2.95% and 10-year yields up 12 bp) however as the Fed's guidance for next year and Powell's qualitative comments suggested increasing caution around further easing. The Fed's closely watched dot plot, which reflects median expectations from the committee, showed a reduced expectation of 2 cuts in 2025, down from 4 cuts forecast at the September quarter meeting. The more hawkish stance seems to be based on expectations of stickier inflation and potential positioning for a response to new fiscal policies under the incoming Trump administration. Since June this year, the Fed has created short term market volatility by vacillating between hawkish and dovish tilts: becoming super hawkish in June, reversing by August, and turning hawkish again in December.

Meanwhile, economic data in Australia has also seen a whipsaw reaction to the outlook for interest rates, with the most recent data point suggesting a potentially a more dovish tone. Minutes from the RBA's most recent policy meeting, saw wage growth slow more quickly than expected, suggesting the supply of labour is more abundant than implied by the current unemployment rate of 3.9%. Over the past month, market pundits have debated whether the RBA will begin cutting interest rates in February or May, with April now in the mix. The timing is likely to become political given a Federal Election needs to be held on or before May 17, 2025.

As we enter a new calendar year, it is often a time when crystal ball gazing becomes a focus of predicting what financial markets will do over the course of the next 12 months. At present, many market pundits are focussed on geo-politics: stretching across the incoming Trump administration's policy settings, European elections, Mid-East tensions, and China's policy response to its economic malaise. While these prognostications make for delightful dinner party conversation, the reality is global markets remain awash with ample capital, which will drive asset prices higher. We will continue to shape the Celeste portfolio in a process consistent manner, by investing in long term cash generating companies trading at a discount to intrinsic value.

<sup>2</sup> 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

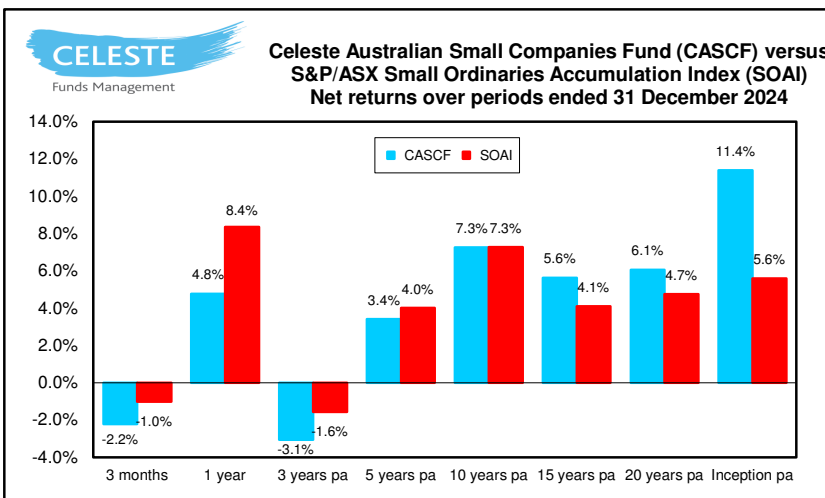
<b>Primary Investments</b>	Shares in listed Australian smaller companies
<b>Investment objective</b>	Exceed Small Ordinaries Accumulation Index over rolling 5 year periods
<b>Unit price (redemption) as at 31.12.2024 [ex-distribution]</b>	\$3.7011
<b>Unit price (application) as at 31.12.2024 [ex-distribution]</b>	\$3.7233
<b>Fund Size as at 31.12.2024 [ex-distribution]</b>	\$61m
<b>Minimum investment</b>	\$25,000
<b>Minimum additional investment</b>	\$1,000
<b>Minimum balance</b>	\$15,000
<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>	1.10% p.a
<b>Performance fee**</b>	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 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

\*\* CPU / unit price at beginning of period

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