CELESTE

Funds Management

Monthly update: 28 February 2025

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]	-1.3	+1.6	+0.8	+5.0	+6.7	+6.1
Performance (relative to Inde	**+1.5**	**-5.7**	**-1.3**	**-0.6**	**+0.2**	**+1.4**
S&P/ASX Small Ords Acc Index	-2.8	+7.3	+2.1	+5.6	+6.5	+4.7
S&P/ASX Small Inds Acc Index	-2.5	+6.6	+3.7	+4.4	+6.1	+5.3
S&P/ASX Small Res Acc Index[2]	-3.7	+9.4	-2.4	+10.6	+8.5	+3.1

Past performance is not indicative of future returns.

Portfolio Commentary

The Fund declined 1.3%[1] (net of fees) in February, with its benchmark, the S&P/ASX Small Ordinaries Accumulation Index, decreasing by 2.8% for the month. Since inception (May 1998) the Fund's return is 11.4%[1] p.a. (net of all fees), against the Index's 5.6% p.a.

MA Financial (MAF) rallied 26.7% over the month, reporting strong momentum across all divisions. Asset Management saw fund inflows, up 42%, driven by rising demand for private credit. MA Money grew its loan book by 155% on the prior year while expanding the net interest margin to 1.4% in 2H24. Finsure took market share with managed loans up 26% across 3,746 platform brokers. MAF remains on track for continued strong growth trending towards its medium-term targets.

Eagers Automotive (APE) was up 16.1% off the back of a strong FY24 result showing significant outperformance relative to peers. Revenue grew 13.6% with tight cost control offsetting declining gross margins for a better than feared bottom line. The retail joint venture with BYD saw a 60% increase in deliveries on 2023 with further growth expected from new models released in 2H24. APE should also be a beneficiary of rate cuts, driving both higher volumes and F&I penetration as well as cheaper corporate and bailment financing. Management have guided to a further $1b in revenue growth in FY25 with an expectation that margins troughed in 2H24.

Imdex (IMD) rose 14.8% in February. Despite contraction in global exploration activity, IMD demonstrated strong revenue performance and market share gains, maintaining a stable EBITDA margin of 30.2%. The company reduced net debt to $15 million, maintained R&D investment, and retained its dividend payout ratio. Near-term market activity is expected to remain steady despite inflationary pressures and geopolitical tensions.

Maas Group Holdings (MGH) fell 16.1% in February. The company reported a disappointing 1H25 result primarily driven by a weak performance from the Civil Construction & Hire (CCH) segment. The CCH segment saw revenue down 22% YoY and EBIT down 59% YoY as it was impacted by some project delays across the renewables space and several one-off costs across two active projects. Management trimmed FY25 EBITDA guidance by $10-12m to a range of $215-245m.

Integral Diagnostics (IDX) fell 31.7%. Margins were below expectations due to clinical staff shortages and labour cost inflation, particularly in regional Australia. Management is aiming to offset clinical staff shortages through higher penetration of their teleradiology business, IDXt. Further, a proposal from AHPRA to expedite the intake of international clinicians should help alleviate the medium-term radiologist shortage. The integration of Capitol Health and associated $10m in targeted synergies remains on track, while MRI deregulation should provide a further earnings tailwind.

Portfolio Top 5 Holdings

Stock	% of Fund
1 JUDO CAPITAL	5.6
2 MA FINANCIAL	5.0
3 NETWEALTH	4.5
4 BREVILLE GROUP	4.2
5 AUB GROUP	4.1

Global Index Performance (Accumulation)

	1 month %	1 year %	3 years % pa
Australia – S&P/ASX All Ordinaries	-4.0	+9.3	+8.8
USA – S&P 500	-1.3	+18.4	+12.5
USA – NASDAQ Composite	-3.9	+17.9	+12.0
Europe – FTSE (UK)	+2.0	+19.8	+9.8
Europe – DAX (Germany)	+3.8	+27.6	+15.9
Asia – Nikkei (Japan)	-6.0	-3.4	+14.2
Asia – Shanghai Composite (China)	+2.2	+13.9	+1.5

Source: Bloomberg

Market Commentary

Equity markets had a mixed performance over the month of February as the world digested the first full month of the new US presidency. All Australian Indices were lower with the ASX100 down 3.9%, underperforming the ASX200 down 3.8% and the Small Ords down 2.8%. The Small Ords has now outperformed the ASX100 for the last 3 consecutive months. Globally, the S&P500 declined 1.3% as concern rose around economic activity amidst tariffs and mass government layoffs. The Chinese and European markets fared better with key indexes up between 2-4% over the month.

The RBA delivered the first interest rate cut (-25bp) of the cycle in February on the back of a slightly softer Q4 CPI print. That said, the rhetoric from the governor was very clear in highlighting that this cycle was atypical to others and that further easing may not be a forgone conclusion. Market expectations of a further two interest rate cuts in April and May have been reduced to just one in May. The labour market remains strong, wage growth is slowing and there is evidence that retail trade has started to recover. The risk to this cut remains the underlying inflation rate print in 1Q.

Reporting season in February proved to be a busy affair with stock price volatility a feature. Standard deviation of result days relative return was 8.1%, a step up again versus the 6.9% average of the prior 4 reporting periods. While the stats support more beats in reported revenue, PBT, EPS and DPS, there was a significant reversal of this in outlook guidance which will see FY25 eps guidance trend lower, the third year of such an occurrence.

China saw manufacturing PMI creep into the expansionary phase at 50.2 from 49.9 with much of the February focus on policy initiatives to be announced at the 14th National People's Congress in early March. At its February meeting, the US Fed left interest rates unchanged and made representations that it was in no hurry to cut rates further. US CPI snuck slightly higher in the month, +0.4% from +0.2%. Non-farm payrolls increased 143k and the unemployment rate dropped to 4.0% from 4.1%. The US President has issued 75 executive orders seeking to control independent agencies, reduce the federal government's workforce, end foreign aid as well as stop the forced use of paper straws. There is some concern that tariffs will in fact lead to higher domestic prices and stall economic activity. Time will tell, but this will, in the short term, underpin ongoing market volatility.

We continue to see opportunities post reporting season and construct the Celeste portfolio in a process consistent manner, by investing in high-quality, long-term cash generating companies trading at a discount to intrinsic value.

[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.

[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.

Celeste Funds Management

Monthly update: **28 February 2025**

Fund at a Glance

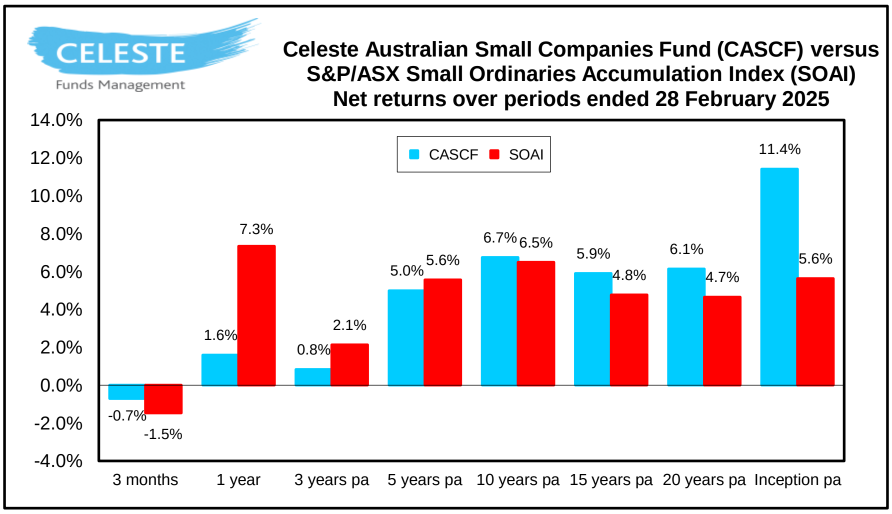
Fund Information

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 28.02.2025	$3.7889
Unit price (application) as at 28.02.2025	$3.8118
Fund Size as at 28.02.2025	$61m
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)

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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