Tribeca Alpha Plus Fund – Class A Units

GRANT SAMUEL FUNDS MANAGEMENT

Tribeca Investment Partners

MONTHLY FUND UPDATE

31 January 2019

Performance

At 31 January 2019

	1 month %	3 months %	1 year % pa	3 years % pa	5 years % pa	7 years % pa	10 years % pa	Since inception[1] % pa
Class A Units[2]	5.04	(2.10)	(5.16)	5.56	10.16	10.73	11.10	8.02
Benchmark[3]	3.87	1.45	1.37	10.09	7.10	9.43	9.96	5.69
Value added	1.17	(3.55)	(6.53)	(4.53)	3.06	1.30	1.14	2.33

1. Inception date: 18 September 2006
2. Returns are based on end of month redemption prices and calculated after the deduction of ongoing fees and expenses but before tax and assume distributions are reinvested.
3. S&P/ASX 200 Accumulation Index

Past performance is provided for illustrative purposes only and is not a guide to future performance.

Fund facts

Top 10 holdings	Portfolio%	Index%[1]
CSL Limited	8.6	5.6
Aristocrat Leisure Limited	5.9	1.0
ANZ Banking Group Limited	5.1	4.6
Star Entertainment Group Limited	5.0	0.2
Bluescope Steel Limited	4.8	0.4
Commonwealth Bank of Australia	4.8	7.9
Origin Energy Limited	4.7	0.8
Tabcorp Holdings Limited	4.7	0.6
National Australia Bank Limited	4.6	4.2
Seven Group Holdings Limited	4.5	0.1

Portfolio characteristics	Portfolio%	Index%[1]
Communication Services	-6.6	3.4
Consumer Discretionary	13.8	4.2
Consumer Staples	1.3	7.9
Energy	13.7	5.8
Financial-x-Property Trusts	21.8	31.4
Health Care	9.8	8.9
Industrials	15.5	7.9
Information Technology	2.0	2.2
Materials	25.6	18.5
Property Trusts	1.0	7.5
Utilities	-0.6	2.1
Cash	2.9	--
TOTAL[2]	**100.0**	**100.0**

[1] S&P/ASX 200 Accumulation Index

[2] May not total due to rounding

Commentary

Global equity markets rebounded in January on the back of dovish commentary from the US Federal Reserve and a potential China stimulus package. The Australian market bounced 3.9% to finish the month at 5865 points. The S&P/ASX200 Accumulation Index was up 3.87%, while the Fund was up 5.04%, marking an outperformance of 1.17%.

Most sectors posted strong performance with the best sector being Energy, up 11.5%. This was followed by Information Technology, Communication Services, Materials, Consumer Discretionary, Property Trusts and Utilities. Healthcare lagged on weaker earnings from ResMed and Financials ex REITs held steady with the stronger 'risk-on' tone.

The Fund's performance was primarily driven by a higher allocation across the Energy Sector as well as a number of high conviction positions that had earnings upgrades during the month. The Fund's overweight across the healthcare sector dragged on performance as investors rotated into cyclical sectors.

At a stock level, positive attribution came from overweight positions in Afterpay Touch (APT) (reported strong US growth data, expecting a strong interim result), WorleyParsons (WOR) (recovery in oil prices drive the stock higher on better earnings expectations), Bluescope Steel (China stimulus and a dovish Fed gave rise to a better growth outlook), Aristocrat Leisure (higher on a market risk rally as concern over its earnings reduce), Seven Group (SVW) (catching up to the performance of its major customers with strong bulk commodity prices) and Origin Energy (ORG) (reported strong production and rebounding oil price). Negative attribution came from overweight positions in Costa Group (CGC) (downgraded June half expectation on weaker price realization, the company continues to be confident on achieve double digit growth for full year 2019), Qantas Airways (share price impacted by market concerned on domestic consumption as well as rebounding oil), Star Entertainment (SGR) (price impacted by tough outlook for consumer in Australia as well as potential risks to the VIP market as China slows) and underweight positions in Fortescue Metals Group (FMG) (sharp rally in the iron ore price post the Vale dam collapse) and Wisetech Global (WTC) (share price higher as investors rotating into global tech names as Fed gave dovish outlook).

Outlook

Some thawing in trade relations between the US and China and progress towards an agreement has seen the equity market back away from the precipice of panic. A shift in tone from the US Federal Reserve towards more dovish patience also helped to soothe investor nerves. Despite this, sentiment remains fragile and the bond market has now priced out further tightening from the Fed. In the near term a lot hinges on a trade resolution between the US and China to bolster risk appetite.

In the slightly longer term we see little risk of a recession in the US. Policy settings remain extremely accommodative with zero real interest rates in the US and a now more accommodative Fed. The yield curve has certainly flattened, although not inverted, and it can stay flat for many years with the economy delivering strong growth. Cyclical indicators have rebounded post the collapse and rebound in the oil price and employment growth remains very strong. The major long term risk is that the pause in policy allows inflationary pressures to build with an increasingly tight labour market.

Cyclical indicators in Europe are stabilizing after softening through the second half of last year. This weakness is partly an inventory cycle although weaker Chinese growth has also weighed. There has also been a one-off shock from the impact of new vehicle emission standards on vehicle sales and production. While policy remains supportive and employment growth has been solid the ECB may need to reinstitute a long term liquidity facility to support lending and spreads in the periphery as support from QE has been removed.

Chinese growth slowed through last year, but policy has now been eased in response. Weaker auto sales with shifts in subsidies and incentives has weighed on retail spending, but this is now turning. The easing in credit to private enterprise and increase in infrastructure spending is likely to provide some support to commodity prices while the Beautiful China policy is likely to see a continued focus on pricing environmental costs which should benefit sectors like renewable energy and electric vehicles.

Domestically, the housing market is getting worse and credit tightness bites on clearance rates, prices and new dwelling construction. The flow on to the broader economy remains uncertain although a heavily indebted household sector that is experiencing flat to negative real income growth as well as dealing with higher energy and healthcare costs, and has drawn down its savings rate, is likely to see consumption remain under pressure. Infrastructure investment will provide some offset to weaker household consumption and the stronger terms of trade are also providing a cushion to national income. The exchange rate also provides a relief valve to the economy if growth takes a hit.

In terms of portfolio positioning, the December quarter sell-off saw us take profits in some of our defensive positions such as telecommunications, REITs and insurance. The pull-back has also enabled us to take profit in some of our shorts and establish new positions in growth companies that are providing more attractive valuations. We are comfortable with the US growth profile and maintain overweight positions to US cyclicals and the cyclical recovery in Europe. We are positioned towards metals and new energy materials although we have closed our underweight in iron ore as the Vale mine collapse squeezed prices higher. We are also more confident on domestic mining services with the support from commodity prices. Domestically, we are positioned more defensively in gaming and select industrials. We have increased the underweight to building materials, property developers and retail as the housing cycle rolls over.

For more information about the Tribeca Alpha Plus Fund – Class A Units, please visit www.gsfm.com.au.

Important information

Investment Manager: Tribeca Investment Partners Pty Ltd ABN 64 080 430 100 AFSL 239070. Responsible Entity: Equity Trustees Limited ('EQT') ABN 46 004 031 298 AFSL 240975, Distribution partner: Grant Samuel Funds Management Pty Ltd ('GSFM') ABN 14 125 715 004 AFSL 317587. This report is provided for information purposes only and is not intended to take the place of professional advice. Neither Tribeca, EQT nor GSFM give any warranty as to the accuracy, reliability or completeness of the information in this report nor do they undertake to correct any information subsequently found to be inaccurate. Opinions expressed may change without notice. This report has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision in relation to the Fund, you should consider the appropriateness of this information having regard to your own objectives, financial situation and needs and read and consider the Fund's product disclosure statement dated 9 October 2018 ('PDS'). Retail investors may invest in the Fund through a licensed financial adviser or an investment platform using the PDS for that platform which can be obtained from the operator of the platform. This document is issued on **19 February 2019.**