Tribeca Australian Smaller Companies Fund Class A

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	Since inception[1] % pa
Class A Units[2]	5.92	(4.12)	(3.69)	8.46	7.06	6.52	6.77
Benchmark[3]	5.56	0.78	(3.06)	11.34	7.37	4.51	4.01
Value added	0.36	(4.90)	(0.63)	(2.88)	(0.31)	2.01	2.76

1. Inception date: 5 August 2010
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 Small Ordinaries Accumulation Index

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

Fund facts

Top 5 holdings	Portfolio%	Index%[1]
Independence Group NL	3.9	1.2
Beach Energy Limited	3.5	1.8
PWR Holdings Ltd.	3.2	--
Austal Limited	3.1	0.4
Steadfast Group Limited	3.1	1.2

Portfolio characteristics	Portfolio%	Index%[1]
Communication Services	4.6	5.1
Consumer Discretionary	13.0	15.5
Consumer Staples	7.3	7.5
Energy	10.2	6.7
Financials (ex-Property Trusts)	7.4	8.3
Healthcare	2.6	7.3
Industrials	14.2	7.3
Information Technology	9.5	11.4
Materials	27.1	19.5
Property Trusts	2.1	11.0
Utilities	--	0.4
Cash	2.1	--
TOTAL[2]	100.0	100.0

[1] S&P/ASX Small Ordinaries Accumulation Index

[2] May not total due to rounding

Commentary

Global equity markets staged a broad-based rally in January, led by the US market which had the best start to the year since 1987, driven primarily by a more dovish tone from the Federal Reserve. The central bank intimated its balance sheet reduction would not be automatic, and would be adjusted according to market conditions, while also pausing to review the impact of previous rate rises. As concern about excessive tightening was a key driver of the equity sell-off in late 2018, the market has welcomed a "patient" Fed. Trade war rhetoric took a back seat momentarily as officials from the US and China look to find a way through the trade impasse before their March deadline. Australian markets lagged, with the S&P/ASX 200 Accumulation recovering +3.8% as banks and financials nervously awaited the outcome of the Hayne Royal Commission. Small Caps fared better, the S&P/ASX Small Ordinaries Accumulation Index rallying 5.6% as most sectors outperformed (apart from materials and REITS) while the aforementioned large cap heavy-weight banks weighed on the broader index.

The partial US government shutdown that began in December paused as President Trump endorsed a stop-gap bill to reopen government while negotiations over the proposed border wall took place. The economic impact is estimated to be material, likely testing the resolve of markets as economic data is released. China remains a key focus and economic data continued to signal slower growth in the economy. However slower growth has also led to more stimulus and given investors had been concerned about the impact of slowing growth, these stimulus measures appear to have supported global growth expectations and risk assets. Domestically, Australian house prices continued to weaken and appear to be gradually eroding consumer and business sentiment, with both measures falling sharply in December. Despite retail sales beating expectations, anecdotal evidence suggested a challenging Christmas period for retailers.

Pleasingly, the portfolio outperformed during the month. We had largely maintained existing positioning while adding to some of our more over-sold names, particularly in energy and industrials that were looking very attractive. We are cognisant that the investment landscape has again shifted post US Fed statements, as lower yields suppress discount rates and support longer duration names in yield and growth. We added some of our preferred growth names during the previous quarter as discounts emerged to our valuations. Inflationary expectations have taken a back seat for now, however we anticipate typical late cycle conditions will still emerge and we continue to remain relatively value-orientated with inflation protections.

Positive contributors to the portfolio were dominated by energy as oil prices rebounded (Brent crude +15%), with details of OPEC adherence to output cuts emerging and US onshore names paring back capex forecasts during quarterly reporting. Worley Parsons (WOR +21.5%), Senex Energy (SXY +25.5%), Sundance Energy (SEA +33.3%) and Beach Energy (BPT +33.8%) all saw material share price rebounds. Confidence around offshore energy capex commitments may have been dented by recent moves, however we fully expect projects to move ahead given the material underspend in recent years. Meanwhile, conditions in the east coast gas market still remain tight with pricing favourable for those that are able to supply gas to the market in a timely manner. Outside of energy, mining names Aurelia Metals (AMI +20.6%) and Independence Group (IGO +14.7%) delivered good quarterly production numbers while strong balance sheets provide optionality for continued growth (AMI, IGO) or increased dividends (IGO).

Detractors from performance included Northern Star Resources (NST -5.1%) after they delivered an underwhelming quarterly punctuated by higher costs. While this is expected to be transient and the company has a very strong growth outlook via their timely purchase of the Pogo mine in Alaska, profit taking took the price lower after the recent strong run. Galaxy Resources' (GXY -7.8%) was once again disappointing and well below expectations. Execution at their Mt Cattlin mine has proven a challenge as has the timely selection of a strategic partner for their growth project in Argentina. Galaxy are at risk of becoming sub-scale as Australian peers expand and drive unit costs down. We have switched our exposure into Mineral Resources (MIN). Steadfast Group (SDF -4.0%) was sold off given the potential for insurance brokers to be caught up in recommendations by the Hayne Royal Commission and EML Payments (EML -3.7%) struggled for traction on a lack of new news. Lastly, Oceana Gold (OGC -1.5%) drifted back post recent strong performance while we had also been taking our exposure down.

For more information about the Tribeca Smaller Companies Fund, please visit www.gsfm.com.au.