TRIBECA ALPHA PLUS – CLASS A: MONTHLY REPORT

Tribeca Investment Partners

April 2019

Fund overview

A long/short equity strategy aims to provide investors with positive returns, whatever the market conditions. It seeks to profit from share price appreciation above the index in its long positions and price declines below the index in its short positions.

The Fund focuses on short selling a range of stocks with weak investment characteristics and reinvesting the proceeds in long positions in preferred stocks.

This combination of long and short positions provides Tribeca with a large degree of flexibility and enables more active decision making.

Tribeca's investment approach uniquely blends fundamental and quantitative strategies that aim to identify investment opportunities and generate returns above the benchmark.

The benefits of this approach are the significant amounts of company detail that can be unearthed and used to generate insights into its future prospects and likely investment returns.

Performance

As at 30 April 2019

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	Since inception[1] % pa
Class A Units[2]	2.74	9.33	(1.39)	7.74	10.51	11.34	10.72	8.62
Benchmark[3]	2.37	9.29	10.41	11.10	7.52	10.11	10.01	6.33
Value added	0.37	0.04	(11.80)	(3.36)	2.99	1.23	0.71	2.29

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 not a guide to future performance

Fund facts

Top 10 Active Weights	Portfolio%
Origin Energy Limited	4.8
Star Entertainment Group Limited	4.2
Commonwealth Bank of Australia	4.2
National Australia Bank Limited	7.0
Worleyparsons Limited	3.1
Wesfarmers Limited	--
Aristocrat Leisure Limited	3.1
Seek Limited	-1.6
Ansell Limited	2.1
Woodside Petroleum Ltd	0.1

Portfolio characteristics	Portfolio%	Index%[1]
Communication Services	3.4	3.5
Consumer Discretionary	7.8	4.3
Consumer Staples	5.5	8.1
Energy	8.4	5.5
Financial-x-Property Trusts	25.9	32.1
Health Care	12.0	8.5
Industrials	6.9	8.2
Information Technology	3.4	2.4
Materials	17.6	18.1
Property Trusts	3.0	7.3
Utilities	0.6	2.0
Cash	5.6	--
TOTAL[2]	100.0	100.0

1 S&P/ASX 200 Accumulation Index

2 May not total due to rounding

Manager commentary

Global equity markets were stronger overall on the back of stronger earnings. The Australian market finished the month at 6325 points, up 2.4%. The S&P/ASX200 Accumulation Index was up 2.37% while the Fund was up 2.74%, leaving an outperformance of 0.37%.

Whilst global capital flow has driven an outstanding result in the Information Technology sector up 7.27%, more company specific news has lifted domestically focused sectors such as Consumer Staples and Consumer Discretionary with major players reporting strong earnings updates at the recent Macquarie conference. Financial ex Property Trusts was also firmer, followed by Healthcare and Energy. The worst performers during the month were Utilities, Property Trusts and Materials.

The Fund's performance was largely driven by outperformance of higher conviction positions with positive stock specific newsflow.

At a stock level, positive attribution came from overweight positions in Afterpay Touch Group (APT) (continued strength across the US business and initial launch in the UK has had very strong takeup), Treasury Wine Estates (TWE) (strong update on vintage outlook has driven consensus upgrade), Star Entertainment Group (SGR) (positive update on domestic performance has restored investor confidence in earnings growth) and Aristocrat Leisure (ALL) (positive feedback from the US peers continue to drive investors' confidence in earnings growth). Negative attribution came from underweight position in Commonwealth Bank of Australia (CBA) (investors seeking to rotate into defensives with dividend support despite weakening outlook presented at the result), Lynas Corporation (LYC) (negotiation with the Malaysian government and potential suitor Westfarmers acquiring other businesses is putting pressure on a positive M&A outcome), CSR (CSR) (Domestic builders are rallying on the possibility of RBA rate cuts despite challenging earnings outlook for the next 12-18 months).

Outlook

Equity markets globally continue to push new highs supported by easy liquidity and restored earnings growth. Whilst the risk of an imminent recession in the US has been pushed out until at least 2021, investors are yet to be convinced of a cyclical rally despite strong data. Capital continue to move out of the cyclicals and into growth and quality names as they clearly standout with strong structural earnings drivers and outstanding balance sheet. Stagnation of current trade discussion between the US and China does pose risks to a global cyclical recovery in the second half, resolution remains likely although with growing probability that this could result in more protracted negotiation where both parties are unable to back down.

US domestic economic indicators have been strong with full employment, broad based strong participation, and improving wages. Recent weaker GDP print is likely to be impacted by a slow down across its major trading partners and the trade conflict with China. Possible resolution of the trade conflict and a positive deal will benefit the US economy enormously without even taking into account President Trump's promise of a large infrastructure spend. Inflation is likely to reach the Federal Reserve's target of 2% by later this year, although we expect the Fed to be on hold even with inflation running marginally above 2% for 2019.

Turning to China, the consequences of over-tightening of credit in early 2018 had caused a sharp deterioration in growth. Orchestrated government officials' pro growth comment since then have demonstrated central government's priority for 2019 of re-igniting growth. Rapid loosening of the monetary policy and stimulus have now seen improvement across the country, importantly, credit growth was restored. We expect with the trade resolution, its economy will strengthen into the second half of 2019, providing much needed support for global growth.

The outlook for Australia fares poorly relative to our major trading partners. A sharp deterioration in the housing market caused by credit tightening has now filtered through to the rest of the economy as a negative wealth effect takes place. Construction and Consumer sectors have had meaningful downgrades to earnings with further weakening outlook. Whilst employment data has been strong, lead indicators are now pointing to weakness ahead with Seek new job ads falling into negative territory. RBA has left open the possibility of one or two rate cut for 2019 hoping to alleviate the pressure, we however believe that until banks are willing to loosen credit, it is very hard to envisage an improvement in housing. Stopping us from being too negative on the Australia economy is that a weaker AUD is expected to help with tourism and stronger terms of trade will help offset some weakness.

The Federal election in Australia will have a larger impact on near term returns with the proposed policies from the ALP, if enacted, likely to create meaningful disruptions to sectors such as private health insurance, housing, financials and retail.

With these in mind, we see a pretty good environment for the equity markets for 2019 although the Australian market is likely to underperform its peers being dragged down by corporate earnings downgrades. US China trade negotiations will create risks and opportunities near term.

A strong rally across Tech sectors has seen us crystaling some profit while maintaining overweight in quality sector such as Healthcare, we continue to steer away from domestic facing sectors such as Construction and Consumer and rotating into US Cyclicals and Resources.

See **gsfm.com.au** for more information about the Tribeca Alpha Plus Fund.