

TRIBECA AUSTRALIAN SMALLER COMPANIES – CLASS A: MONTHLY REPORT

April 2019

Fund overview

This is an actively managed, long-only strategy with flexibility to enhance alpha through its ability to invest up to 20% of the Fund in mid-cap stocks outside the ASX-50 Index.

By investing in companies outside of the top 50 and limiting exposure to top 100 ASX-listed companies, the Fund seeks to benefit from the concept of information arbitrage.

Tribeca's investment approach aims to identify the market leaders of the future and will have a bias toward companies with relatively high quality and sustainable earnings streams.

Tribeca's investment strategy has been forged over more than a decade and aims to identify the market leading companies of the future.

Figure 1: Investment Process



Source: Tribeca Investment Partners

Performance

As at 30 April 2019

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa	Since inception ¹ % pa
Class A Units ²	3.68	10.08	2.93	9.67	8.01	6.72	7.75
Benchmark ³	4.11	11.04	7.18	11.79	9.11	5.25	5.15
Value added	(0.43)	(0.96)	(4.25)	(2.12)	(1.10)	1.47	2.60

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 not a guide to future performance

Fund facts

Top 5 Active Weights	Portfolio%
PWR Holdings Ltd.	3.9
Steadfast Group Limited	4.5
Cleanaway Waste Management Ltd.	3.0
EML Payments Ltd.	2.7
Senex Energy Limited	2.7

1 S&P/ASX Small Ordinaries Accumulation Index

2 May not total due to rounding

Portfolio characteristics	Portfolio%	Index% ¹
Communication Services	5.5	5.2
Consumer Discretionary	14.7	16.6
Consumer Staples	4.8	6.8
Energy	10.3	5.2
Financials (ex-Property Trusts)	9.1	10.0
Healthcare	2.6	7.5
Industrials	11.8	7.7
Information Technology	14.6	12.4
Materials	22.8	17.7
Property Trusts	3.2	10.4
Utilities	--	0.4
Cash	0.6	--
TOTAL²	100.0	100.0

Manager commentary

Markets rallied hard in April, as they drew confidence from positive rhetoric around trade wars and better than expected quarterly earnings in the US (albeit off lowered expectations). Global economic data showed signs of stabilisation and bonds saw a modest selloff after a solid showing in March. Domestically, the broad S&P/ASX 200 Accumulation Index rallied 2.4% but lagged global peers, such as the strength of markets, as resource and energy names finished underwater. Small Caps outperformed, the S&P/ASX Small Ords Accumulation Index logging a gain of 4.1% and while aforementioned sectors also lagged along with yield sensitive sectors (REITs), with heavyweight Tech, Discretionary and industrials performing very strongly.

After the dovish pivot by the US Fed in March, all eyes were on economic performance during April given markets had rate cuts priced in for 2019. US activity indicators were mixed but still solidly expansionary, retail sales supported the view of a buoyant consumer while inflation continued to soften as the lagged impact of oil price falls in Q4 made their way through the system. The Chinese equity market underperformed EM peers however the economy continued to respond to recent stimulus measures, while EU manufacturing data continued to moderate but at a slower pace. Part of the recent weakness was attributed to Brexit and European lawmakers agreeing to kick the can down the road by providing an extension to Article 50 for another 6 months. Domestically, the Government called a general election with recent polls suggesting a change in government. The traditional May Budget was brought forward, with the surplus upgraded, providing the ability for both parties to potentially fund additional promises. However, thus far household tax cuts and handouts have been smaller than expected. The Fund modestly lagged what was a very strong month for the index, as material names weighed. After a strong start to 2019, it would be unsurprising to see volatility return to markets in the near term and we have added to some of our more defensive names. Ultimately, while central banks remain supportive and inflation is contained, growth looks set to rebound and should help push markets higher, in our view.

In terms of portfolio contribution, Gold price (-1.0%) fell for a third consecutive month on market volatility declining to Oct 18 lows (CBOE Market volatility Index -4.3%) and a stronger USD (AUDUSD -0.6%). Gold related names fell in sympathy, however Aurelia Metals (AMI -16.3%) compounded the weakness after missing analyst expectations for quarterly production (however did reiterate FY19 production guidance).

Northern Star Resources (NST -8.5%) also missed quarterly expectations while reiterating full year guidance but was shown short shrift by the market. The impacts of AMI and NST were partly offset by Regis Resources (RRL -9.6% not held) who reported a strong quarterly however their production growth in future years is questionable and the main reason we have remained underweight. Meanwhile, prices for Nickel weakened over the month (Nickel -5.0%) and dragged Independence Group (IGO -8.2%) down with it while Senex Energy (SXY -4.1%) lost ground despite an impressive quarterly result, announcement of industrial offtake partners for their Atlas domestic gas project and higher oil prices (Brent oil +6.0%). Lastly, Lynas Corp (LYC -5.3%) released very good quarterly production numbers however gave up some of the previous months gains on speculation surrounding their licence renewal. It was reported the Malaysian Government indicated they require part of the waste stream created in the processing of Rare Earths to be removed before arriving in Malaysia as a condition of licence extension. This would require approval from the Australian Government and capital spend on a domestic plant.

Positively contributing for the month was Austal Limited (ASB +18.6%) after the company held an offsite for investors and analysts at their Asian shipyards. Recent capacity expansions have delivered low cost construction locations that should enable ASB to capitalise on a resurgence from the commercial ferry market for new vessels. PWR Holdings (PWH +12.4%) released no new news during the month, however with Brexit pushed out for a further 6 months, the market took some relief that the British Pound (GBP) would not create a translational headwind to PWHs earnings. Freedom Foods (FNP +15.9%) hosted a site tour of their Shepparton facility in Victoria, providing further details around their future dairy Nutritionals capability and their ability to deal with input cost inflation as a result of the drought in SE Australia. FNP remains an attractive growth play in the small cap market and very reasonably priced in our view. EML Payments (EML +11.7%) announced a multi-year agreement with global gaming company Bet365 for payment solution for US gaming customers. Given the move by US states to legalise online sports betting, we had eagerly anticipated an announcement by EML as to who they might partner with given their strong track record in Australia and EU. Additional partners are probable, and the US market remains a huge source of potential upside for EML.

See gsfm.com.au for more information about the Tribeca Australian Smaller Companies Fund.

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: GSFM Pty Limited ('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 ('PDS') dated 26 October 2018 and the Tribeca Investment Partners Reference Guide which forms part of the 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 14 May 2019.