TRIBECA ALPHA PLUS – CLASS A: MONTHLY REPORT

Tribeca Investment Partners

July 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.

Source: Tribeca Investment Partners

Performance

As at 31 July 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]	4.66	11.07	5.43	8.73	12.37	14.44	10.74	9.34
Benchmark[3]	2.94	8.58	13.26	11.68	8.55	11.74	9.56	6.88
Value added	1.72	2.49	(7.83)	(2.95)	3.82	2.70	1.18	2.46

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%
Commonwealth Bank of Australia	5.0
Magellan Financial Group Ltd	3.1
Macquarie Group Limited	4.7
James Hardie Industries PLC	2.9
Atlas Arteria	2.6
Aurizon Holdings Ltd.	2.8
Boral Limited	-1.7
Star Entertainment Group Limited	2.2
Aristocrat Leisure Limited	3.1
CSL Limited	7.6

1 S&P/ASX 200 Accumulation Index

2 May not total due to rounding

Portfolio characteristics	Portfolio%	Index%[1]
Communication Services	1.2	3.6
Consumer Discretionary	5.9	3.9
Consumer Staples	10.6	8.2
Energy	6.3	5.2
Financial-x-Property Trusts	26.7	31.6
Health Care	12.2	8.9
Industrials	11.6	8.4
Information Technology	2.0	2.3
Materials	14.6	18.5
Property Trusts	8.1	7.5
Utilities	-0.7	1.9
Cash	1.5	--
TOTAL[2]	100.0	100.0

Manager commentary

The Australian market extended its bullish run in July with the S&P/ASX200 Accumulation Index surpassing its 2007 high, finishing the month at 6813 points. The Fund delivered 4.66% against the Index return of 2.94%, resulting in an outperformance of 1.72%.

Global equity markets rallied during the month, supported by easing monetary policy and a more benign economic backdrop as investors moved passed the trade conflict and looked forward to fiscal and monetary policy to reignite global growth. Meanwhile domestically, sentiment swung towards domestical cyclicals as imminent tax cuts became more tangible.

Consumer Staples lead the outperformance during the month with the sector returning 9.47%. This was followed by Health Care, Information Technonlogy, Industrials, Property Trusts and Communication Services. Key laggards were Materials, Energy, Financial ex-Property Trusts and Utilities.

At a stock level, positive attribution came from overweight positions in Magellan Financial Group (MFG) (strong performance across its key holdings driving FUM growth and performance fee income), A2 Milk Company (A2M) (Consensus upgrades ahead of its result in anticipation of a stronger than expected full year report), Elders (ELD) (improving rural condition and an accretive acquisition drove a meaningful earnings upgrade) and Breville Group (BRG) (Investors positioning ahead of result in anticipation of strong print) and underweight positions in Speedcast International (SDA) (meaningful downgrade to earnings as demand continues to lag), AMP (AMP) (setback to sale of the life business in NZ puts companies' capital position at risk) and Woodside Petroleum (WPL) (weakening oil prices pressures outlook). Negative attribution came from underweight positions in Wisetech Global (WTC) (Investors continued to drive share price higher given risk-on sentiment), JB Hi-Fi (JBH) (Share price benefited from investors rotation into domestic cyclicals expecting stronger FY20 on tax stimulus) and overweight positions in Fortescue Metals Group (FMG) (Peaking iron ore prices impacting earnings outlook) and ALS (ALQ) (slightly disappointing result impacted by weak geochemical performance).

Outlook

Whilst the risk of an imminent recession in the US has been pushed out on the prospect of lower interest rates, we remain cautious on the near term corporate earnings outlook and global economic data. Geopolitical tensions and protracted trade negotiations have dampened the global growth outlook over the past year and are likely to further drive earnings downgrades into FY20. With the market now trading almost at peak levels fuelled by expected fiscal and monetary stimulus from major economies, the upcoming August results season could bring investors' hefty expectations more in line with the tepid growth suggested by economic data prints.

In the US, economic indicators have been broadly firm with full employment, broad-based participation and improving wages. However, the recent weaker GDP print was likely to have been impacted by a slow down across the US's major trading partners and the trade conflict with China. Whilst a positive trade deal will see growth return, the likely time frame is harder to predict. Expected rate cuts will help drive consumption and economic activity further and we should see inflation begin to rise.

Turning to China, the experience of over-tightening of credit in early 2018 caused a sharp deterioration in growth. Orchestrated government officials' pro-growth comments since then had demonstrated the 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 has been restored. While the trade conflict with the US has dampened the trajectory of the recovery, a temporary truce should provide near term stability combined with a step up in fiscal stimulus which will steer the economy into stronger growth in the second half, providing much needed support for global growth.

The Australian market is at an interesting cross roads at the moment, with economic data continuing to point to weakening housing and employment trends. Indebted consumers further tightened discretionary spending since the election and construction activity is rapidly softening. With that in mind, the co-ordinated efforts by the APRA and the RBA's two pre-emptive rate cut, could see the fall in the housing market cushioned and we could see a bottoming in activities in the next 12 months. Stronger iron ore prices should also support terms of trade which in turn should come through in the form of tax cuts and fiscal stimulus.

Portfolio Positioning

Loose monetary policy and fiscal stimulus should provide a supportive environment for the Australian equity market for the second half of 2019, albeit with a risk of heightened volatility around the August reporting season as investors rebase corporate earnings expectations. We should continue to see outperformance of the Australian market against global peers with its defensive earnings as well as strong yield on offer.

We continue to favour quality sectors such as healthcare with its strong structural cash flow growth on offer and we are also marginally overweight resources across the metal names. We reduced our underweight in high yielding sectors with global G10 rates falling meaningfully in the past 6 months. We have also selectively moved back into domestic cyclicals while maintaining an overall underweight as we await real improvement in underlying demand.

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