TRIBECA AUSTRALIAN SMALLER COMPANIES – CLASS A: MONTHLY REPORT

Tribeca Investment Partners

July 2019

Fund overview

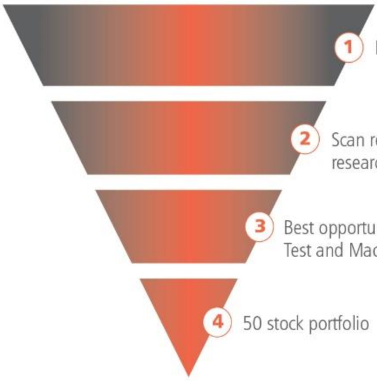
This is an actively managed, long-only strategy with flexibility to enhance alpha through its ability to invest up to 20% of the Fund in mid-cap stocks outside the ASX-50 Index.

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 31 July 2019

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa	Since inception[1] % pa
Class A Units[2]	5.24	8.52	6.70	8.55	9.64	10.13	8.51
Benchmark[3]	4.51	4.15	7.61	9.27	9.18	8.29	5.48
Value added	0.73	4.37	(0.91)	(0.72)	0.46	1.84	3.03

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.	3.2
Steadfast Group Limited	4.7
EML Payments Ltd.	3.4
St. Barbara Ltd.	4.0
Cleanaway Waste Management Ltd.	2.6

Portfolio characteristics	Portfolio%	Index%[1]
Communication Services	3.2	4.7
Consumer Discretionary	12.8	15.0
Consumer Staples	6.7	6.8
Energy	9.2	3.3
Financials (ex-Property Trusts)	8.4	11.6
Healthcare	2.3	7.8
Industrials	11.9	8.5
Information Technology	11.2	9.8
Materials	25.6	21.0
Property Trusts	5.3	11.1
Utilities	--	0.4
Cash	3.4	--
TOTAL[2]	100.0	100.0

1 S&P/ASX Small Ordinaries Accumulation Index

2 May not total due to rounding

Manager commentary

Equity markets remained buoyant during July as central banks responded to a soft economic data with more dovish language and rate cuts. The trade war rhetoric drip fed to the market left open the possibility of reaching an agreement and a stronger USD saw profit taking in emerging markets after strong recent performance. Domestically, the broader market index delivered its 7th straight month of gains to mark a post-GFC high, with the S&P/ASX 200 Accumulation Index climbing 2.9% during July on the back of strength in staples, health and IT while banks, energy and materials lagged.

The small cap market regained some of its relative underperformance versus the broader market, perversely in a defensively-led environment. The S&P/ASX Small Ordinaries Accumulation Index rose 4.5%. While large cap materials stocks dragged on the back of iron ore names, small cap materials were the top performing sector due to a larger exposure to gold stocks (gold price +0.9%), which rallied as bond yields declined. Small cap IT names were stronger than their larger-lower growth counterparts while banks weighed on the broader market as back-to-back rate cuts by the RBA took the cash rate down to 1.0%, placing pressure on margins. As we look forward into reporting season, the recent share market performance has set a high bar for earnings expectations and thus we again expect elevated volatility. Offshore earners look set to be better placed given currency tailwinds and resources and associated sectors have the benefit of relatively buoyant commodity prices. Domestic consumer-facing names look attractive from a relative-value stand point, however softness post-election may provide for better entry points and we remain well positioned in that regard.

Our portfolio started the financial year strongly during what was a broad and strong rally by the small cap market. There was no consistent theme to our stock performance, with stock specific, sectoral drivers and intra-sector dispersion all evident. St Barbara (SBM +25.9%) was our top stock for the second consecutive month, as gold names were in strong demand from investors. As we've discussed, SBM is coming off a low base given the recent decline however now the dust has settled on their recent transaction, investors are turning their attention to the high quality and low-cost nature of its mines and optionality around the Canadian acquisition. Elders Ltd (ELD +20.2%), which was recently added to the portfolio, made a strategic acquisition in the agricultural distribution space funded by an entitlement issue. While the acquisition was nicely accretive, we expect continued upside as seasonal conditions eventually normalise and further opportunities present themselves post-consolidation of two large competitors in the space. Speedcast International (SDA - 45.8% not held) downgraded their forecast CY19 guidance as a result of a number of headwinds in their various divisions and lower contributions from a recent acquisition. While the fall is significant, we aren't tempted to buy the stock given that leverage remains very high and we have low confidence in business performance following a string of acquisitions. Austal Ltd (ASB +18.8%) announced an upgrade to their FY19 guidance and provided initial FY20 guidance that was ahead of market expectations. Upgrades have been rare and thus was very well received, with the company demonstrating a control of their own destiny not seen for many years. However, with the run up in the share price has come a material re-rating to the point that we have been winding back our exposure. Viva Energy (VEA +13.8%), another recent portfolio addition, rebounded post their recent downgrade as regional refiner margins bounced back from multi-year lows. The fuel refiner and distributor's recent re-cut of their agreement with Coles should enable VEA to regain some recent lost fuel volumes while falling oil prices are incrementally beneficial to short term margins.

Names detracting from performance in the tech space included Wisetech (WTC +15.33% - not held) and Audinate (AD8 -6.9%) after a notable divergence in performance based on no company specific news. We recently divested our holding in WTC given the very strong performance post the capital raise, and while we like the business the valuation was becoming difficult to justify. We also took some profits in AD8 after its recent strong performance, though the video opportunity remains highly prospective and has the potential to be a driver of future value upside. In our energy names, despite relatively muted oil prices (Brent -0.2%), Sundance Energy (SEA -32.7%) followed North American shale names lower despite announcing the sale of surplus assets to apply to debt reduction and quarterly production in line with guidance. Given the continued decline in share price, a review of strategic options by the company management and the board is underway. Senex Energy (-11.3%) gave back gains in July but continue to execute towards first gas into the domestic market in early 2020. Meanwhile, Bega Cheese (7.3%) continues to face challenges from falling raw milk supply due to the drought.

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