TRIBECA AUSTRALIAN SMALLER COMPANIES – CLASS A: MONTHLY REPORT

Tribeca Investment Partners

August 2019

Fund overview

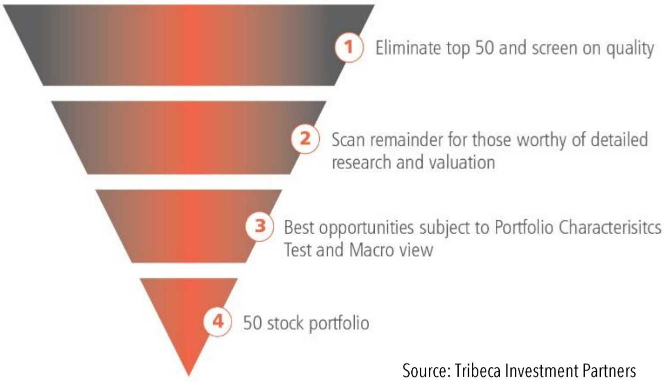
This is an actively managed, long-only strategy with flexibility to enhance alpha through its ability to invest up to 20% of the Fund in mid-cap stocks outside the ASX-50 Index.

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 August 2019

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa	Since inception[1] % pa
Class A Units[2]	(2.99)	4.48	1.57	9.04	9.05	8.88	8.06
Benchmark[3]	(3.85)	1.41	0.95	8.41	7.82	7.24	4.97
Value added	0.86	3.07	0.62	0.63	1.23	1.64	3.09

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.	3.7
EML Payments Ltd.	3.8
Cleanaway Waste Management Ltd.	2.7
Steadfast Group Limited	4.3
Senex Energy Limited	2.8

1 S&P/ASX Small Ordinaries Accumulation Index

2 May not total due to rounding

Portfolio characteristics	Portfolio%	Index%[1]
Communication Services	2.8	4.6
Consumer Discretionary	17.4	15.4
Consumer Staples	6.9	6.8
Energy	8.3	3.2
Financials (ex-Property Trusts)	8.3	11.6
Healthcare	3.8	8.3
Industrials	11.7	8.2
Information Technology	7.6	7.9
Materials	23.9	20.9
Property Trusts	6.3	12.5
Utilities	--	0.6
Cash	2.9	--
TOTAL[2]	100.0	100.0

Manager commentary

Global markets slumped in the early part of August as rising geopolitical tensions again battered investor sentiment, with additional Chinese and US tariffs announced, Brexit concerns elevating and Hong Kong protests intensifying. Investors looking to the Fed for help were disappointed as the July FOMC minutes were mildly hawkish in characterizing last month's rate cut as a "mid-cycle adjustment", rather than the start of a predetermined and lengthy easing cycle. Equity markets improved off their lows as central bankers met at Jackson Hole in the US which elicited a more dovish narrative. Nevertheless, the weakness proved enough to break the broader domestic market's run of seven consecutive months of gains. The S&P/ASX 200 Accumulation Index delivered a -2.4% return for the month, in which only the healthcare and real estate sectors posted positive returns.

Small caps gave back last month's strong performance, as the S&P/ASX Small Cap Accumulation Index underperformed by 150bps. The risk-off environment saw resources as the main drag on returns, with commodity prices dragging mining and energy stocks lower, though the significant fall in iron ore (-28.5%) saw larger caps names fall relatively more. Reporting season results were generally in-line for small industrials, with the typical company's FY19 EPS unrevised. However, FY20 EPS was revised down c.3% - the worst in the last six August reporting seasons. There was notable dispersion in the market's reaction, with on-day share price reaction +0.6% for large industrials vs typically -0.4% for smalls. This resulted in small cap industrials now trading at the equal-largest PE discount to large caps since 2012. Thematically, we noted the resurrection of some, but not all, domestic cyclicals as companies with broader macro exposure sounded a note of circumspection. Thus, a "lucky few" appear to be well positioned within their respective industries and benefiting from the leading edge of tax and interest rate cuts. Yet again we saw resurgence of the traditional high-P/E cohort with expansion in multiples, albeit to a lesser extent than recent seasons.

Contributing positively to portfolio performance during the month was EML Payments (EML +18.8%), which beat expectations with solid growth across all divisions. The outlook for further wagering rollout and salary packaging contract wins is strong while Virtual Account Numbers is a rapidly emerging earnings driver. Senex Energy (SXY +22.2%) bucked the weaker oil price environment as the company delivered against milestones that should result in de-risking of their East Coast gas projects. Guidance was provided for FY21 gas flow rates, which if delivered against would see material share price upside from current levels. PWR Holdings (PWH +10.9%) reported strong FY19 results, largely driven by continued spending growth by the company's motorsport partners. The outlook for OEM contract ramp-up and significant growth in the emerging technology division servicing customers in Aerospace and defence should continue to fuel strong earnings growth. City Chic Collective (CCX +18.5%) is a multi-branded women's apparel retailer and brand owner specialising in women's plus size apparel. The business is delivering strong growth through further penetration of the online sales channels while also having significant success in the US. Another source of potential growth is ANZ as they expand their offering and store network. Wisetech Global (WTC – not held) underperformed as it left the Small Ordinaries Index upon promotion to the S&P/ASX100 Index on the 6th of August.

Stocks negatively impacting performance included Viva Energy (VEA -18.1%), which gave back its July gains on a more muted than anticipated outlook for domestic retail earnings in 2H19 as a result of aggressive competition. This was frustrating given what is largely an oligopolistic market, however the current level of implied returns in the market are very low and should eventually force sub-scale operators to lift pricing and a more favourable competitive dynamic to prevail. Cleanaway (CWY -14.5%) acknowledged impacts from the soft domestic economy, indicating future sellside earnings forecasts had become too aggressive. Unfortunately, while largely within the margin of error, the admission hurt sentiment and the stock traded lower. We have high levels of confidence in the growth outlook for the business, which is supported by government initiatives to 'close the loop' in waste management and subsequently took advantage of the material weakness to add more shares. WorleyParsons (WOR -23.9%) reported results largely in-line with market with the ECR acquisition and integration on track, with cost synergy of $130-150m over next 2 years. Backlog was up 10% on pro-forma basis to $18.0b, or 36 months of work. Worley noted its markets are being tempered by macro uncertainty, which is no different from their commentary in the recent past, however the comments and softer oil prices (Brent crude -8.1%) were enough to move the stock materially lower. Mineral Resources (MIN -17.8%) produced a strong result, ahead of market expectations, however traded down with resource names particularly those exposed to iron ore and lithium, while Appen (APX -15.6%) traded lower on trade war concerns potentially impacting client spending.

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