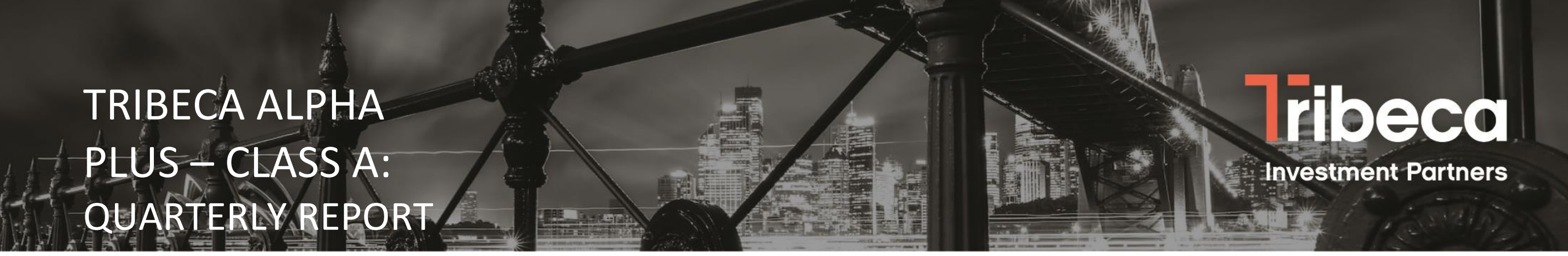

TRIBECA ALPHA PLUS – CLASS A: QUARTERLY REPORT

Tribeca Investment Partners

30 September 2020

Performance

	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]	(3.59)	4.16	(0.20)	6.67	8.41	10.64	8.70	8.43
Benchmark[3]	(3.66)	(0.44)	(10.21)	4.80	7.31	5.93	6.93	5.43
Value added	0.07	4.60	10.01	1.87	1.10	4.71	1.77	3.00

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%
Wesfarmers Limited	0.5
Fortescue Metals Group Ltd	4.0
Spark New Zealand Limited	1.7
Altium	-1.3
Charter Hall Group	1.9
Goodman Group	0.3
Ramsay Health Care Limited	2.3
James Hardie Industries PLC	2.4
Scentre Group	2.2
Sydney Airport	2.5

Portfolio characteristics	Portfolio%	Index%[1]
Communication Services	3.8	3.8
Consumer Discretionary	5.4	4.7
Consumer Staples	5.4	9.4
Energy	2.5	3.4
Financial-x-Property Trusts	24.0	25.9
Health Care	13.6	12.4
Industrials	11.6	7.7
Information Technology	3.2	4.0
Materials	22.5	20.0
Property Trusts	6.1	7.0
Telecommunication Services	1.6	--
Utilities	-0.4	1.7
Cash	0.7	--
TOTAL[2]	100.0	100.0

1 S&P/ASX 200 Accumulation Index

2 May not total due to rounding

Commentary

The incredible market recovery stalled in the September quarter, which included an August reporting period that provided the market's first glimpse into the true impact of COVID on corporate earnings. The market moved quickly to price in the potential COVID recovery and delivered a strong return in August before moving to a more cautious stance in September as the true impacts of the ongoing pandemic become more apparent. The S&P/ASX 200 Accumulation Index lost 0.4% in the quarter. By comparison, the Alpha Plus Fund returned a pleasing 4.2%, resulting in an outperformance of 4.6%.

Sentiment at the beginning of the quarter was bolstered by the sense that Australia had effectively contained COVID, allowing the market to look forward to a strong recovery in sectors not directly exposed to factors such as international travel. However, a combination of global and domestic macro factors had a damping effect toward the end of the quarter. Recurrent lockdowns in Europe and the US, political uncertainty in the US and the impact of Victoria's severe second lockdown quelled the enthusiasm of the early recovery. Throughout the last few months, we have maintained that the adept response of government, the adaptiveness and agility of businesses and the resilience of the individual consumer all pointed to a more constructive outlook than many feared. We believe this view has been vindicated to date, and we are excited for the exciting opportunities ahead for many companies that still present compelling investment opportunities.

The bifurcation created by COVID was on display this quarter, as positively exposed sectors performed very well, offset by the underperformance of negatively exposed sectors. Consumer Discretionary (+15.4%) was the best-performing sector, bolstered by exposure to increased consumption from improving consumer sentiment and stimulus, such as retail, leisure, media, and domestic travel-exposed names. Technology (+12.6%) was the next best-performing sector driven by the ongoing surge of technology beneficiaries such as data companies like Megaport and NextDC. Materials (+4.0%) also performed well due to the strength of gold and housing-exposed stocks, with demand for residential construction surprising to the upside. Underperforming sectors included: Energy (-14.1%) - as commodities such as coal and oil continued to languish; Utilities (-8.1%); Financials (-6.0%) - driven by underperformance of the banks; and Communication Services (-3.9%) - led by telecoms.

At a stock-specific level, outperformance of the Alpha Plus Fund was supported by overweight positions in: Sezzle (SZL) – the fledgling buy-now-pay-later platform which is capitalising on the same thematics benefitting the likes of Afterpay; Charter Hall (CHC) – as we draw nearer to reopening thematics that should benefit their REIT exposure, such as return to office working; Megaport (MP1) – due to their global exposure to ever-increasing demand for data services; Fortescue Metals Group (FMG) - as gold continued to grind higher; and Super Retail Group (SUL) - benefitting from unprecedented levels of stimulus granted to the consumer. A number of short positions also meaningfully contributed to outperformance.

Detractors from performance over the quarter included a2 Milk, in which we have a long position. The company was hit by short-term issues related to the daigou channel out of Victoria. Despite the near-term flux, we maintain our conviction view that a2 Milk is a quality company with robust long-term fundamentals and exciting growth opportunities. Our long position in TPG Telecom underperformed as the share price gave back some of its earlier gains and the whole telecoms sector underperformed. A short position in Wisetech also detracted after the share price rallied on a strong update despite very low expectations at their FY20 result in August.

Outlook

We are of the view that it is unlikely that concerns overhanging the equity market and the economic growth outlook will disappear anytime soon. Uncertainty surrounding the US election is likely to increase through October and potentially into November should we see a contested result. Further COVID outbreaks are increasingly likely as the northern hemisphere moves into winter and as timing of a vaccine remains unknown. We doubt these concerns will do more than interrupt the cyclical upswing, but it is difficult to see the equity market breaking out of its current trading range while these concerns linger.

Alongside global factors, which for the most part, are driving the direction of the domestic equity market, the Australian economy is in a transition phase from emergency levels of income support to more targeted jobs growth support. While expansionary fiscal policy has an additional tailwind of near zero policy rates provided by the RBA, getting the economy to a self-sustaining phase will take time and this means certain areas of the equity market will remain hampered by both cyclical and structural headwinds.

We remain positive on the longer-term outlook for the equity market. Stronger economic growth both globally and domestically will drive a recovery in earnings (and dividends) while easy financial conditions will see little pressure put on valuations, particularly while inflation risks remain low. An improving economic backdrop will gradually drive broader participation into those areas currently under social containment measures, benefiting names such as Star Group and Sydney Airport. We do not believe that the recovery will be fast enough or broad enough to drive a complete rotation in stock performance from growth into value, but the risk-reward for some cyclical areas is beginning to look increasingly attractive.

In terms of portfolio positioning, we have increased our overweight positions across domestic cyclical names and continue to hold overweight positions in quality growth sectors such as healthcare and technology. Our bottom-up focused investment process lends itself to take advantage of mispricing in the equity market, from both the long and the short side. The current market volatility is providing us with terrific opportunities to invest in quality companies with robust fundamentals at attractive valuations.

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