Tribeca Investment Partners

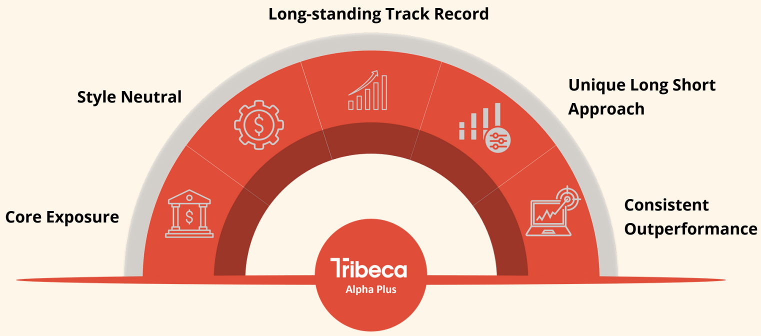
Fund Update

Tribeca Alpha Plus Class A Units

FEBRUARY 2023

Fund Overview

The Tribeca Alpha Plus Fund targets outperformance over the S&P/ASX 200 Accumulation Index over the long term by investing in listed Australian equities (long and short). The fund leverages off the strengths of both quantitative and fundamental styles of investing. Quantitative investing brings breadth and objectivity to the process by exploiting behavioural biases in the market. Fundamental investing gives depth of insight and conviction by identifying high quality businesses with strong fundamentals.



Core Exposure
Offers investors core exposure to the ASX

A diversified portfolio, generally consisting of 60-70 long positions and 30-40 short positions

Style Neutral
Style agnostic and broad-based industry exposure

Long-standing Track Record
One of the longest running equity long short funds in Australia (inception 2006).

Unique Long Short Approach
Utilises a long short approach that is rarely seen in Australian equities. Active management allows enhanced return potential and better risk control.

Target allocation of 150% long, 50% short

Consistent Outperformance
The fund has consistently outperformed its benchmark since its inception in 2006.

Fund Characteristics

TOP 10 ACTIVE WEIGHTS

	Active Position %
Ramsay Health Care Ltd	2.9
Treasury Wine Estates Limited	2.5
Commonwealth Bank of Australia	-2.5
Wesfarmers Limited	-2.0
Nextdc Ltd	2.0
Star Entertainment Group Limited	2.0
IDP Education Ltd	2.0
REA Group Ltd	2.0
Goodman Group	2.0
Brambles Limited	1.9

TOP 10 HOLDINGS

	Fund %	Index % [1]
BHP Group Ltd	11.1	10.6
National Australia Bank Limited	6.0	4.4
CSL Limited	5.6	6.6
Commonwealth Bank of Australia	5.5	7.9
Woodside Energy Group Ltd	3.8	3.2
Goodman Group	3.6	1.6
Macquarie Group, Ltd.	3.5	3.2
Ramsay Health Care Limited	3.4	0.6
ANZ Group Holdings Limited	3.4	3.4
Treasury Wine Estates Limited	3.0	0.5

1. S&P/ASX 200 Accumulation Index

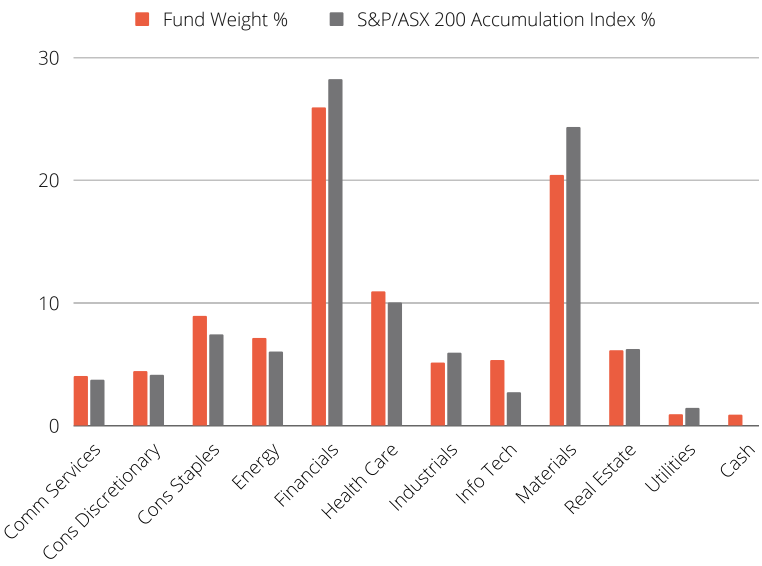
Performance as at 28 February 2023

	1 month %	3 months %	1 year %	3 years %	5 years % pa	7 years % pa	10 years % pa	Since Inception [1] % pa
Class A Units [2]	(2.52)	(0.77)	8.13	12.40	9.24	10.91	11.61	9.43
Benchmark [3]	(2.45)	0.30	7.16	7.93	7.90	10.14	7.95	6.62
Value Added	(0.07)	(1.07)	0.97	4.47	1.34	0.77	3.66	2.81

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

SECTOR ALLOCATION



The data presented in these tables and graphs is unaudited and may change at any time. The data is shown for informational purposes only and is not indicative of any future portfolio characteristics.

Manager Commentary

February saw a partial reversal of January's very strong returns with the ASX200 falling 2.4%. There were a lot of factors impacting the market at both a macroeconomic and stock specific level as reporting season played out. Early in the month, the RBA raised policy rates for the 9th consecutive time by 25bps to bring the cash rate to 3.35% and this was followed immediately followed up by a repricing of the implied terminal rate to above 4%. The US market also saw a hawkish shift, where expectations for the Fed Funds Rate were pushed to nearly 6%, driving a sell-off in the bond market and pushing yields back towards their late 2022 highs.

A reversal in soft landing fears saw a sizable rally in the US$ which then put pressure on commodity prices and our own mining and gold stocks which both led the market lower with falls of 7.5% and 9.1% respectively. Complicating the rates backdrop was a very volatile reporting season which for the most part was better than expected, but only because expectations had collapsed due to fears that the economic slowdown was well underway and concerns that profit margins were also being squeezed by rising costs. As it turned out, sales lines were broadly better than expected as demand remain solid and inflation boosted nominal prices, but margins squeeze was clearly evident due to numerous headwinds including rising raw materials, higher utility costs and rising labour costs. It is always hard to generalise the reporting season, but defensive stocks (staples, insurance) were the most consistent achievers followed by domestic cyclicals simply due to beaten up expectations. Growth stocks and Resources were both relatively disappointing and there was a clear reversal trend in COVID winners such as Energy and Consumer Services.

Over the month there was a long list of stocks that were sold off heavily following disappointing results and/or announcements (DMP, DOW, SGR, JBH, HVN, AMP, QAN) with a large collection of both large and small cap resource stocks also in the firing line (NST, PLS, MIN, BHP, RIO, SLR, LKE).

The bank sector fell 5.1% with CBA (-6.4%) and WBC (-5.9%) leading the declines as it became clear that rising competition was threatening margins across the sector. On the positive side, Insurance rose 6.5% driving by a 15% rise in MPL post a strong result guidance with IAG also rising 7.3%, QBE up 8.8% and SDF rising 9.5%. Other standouts included ORG, ORA, WTC ALD and ORI. While price performance was slightly better than expected across the reporting season, earnings revisions were down across the board with negative revisions at their worst level since the GFC (excluding the pandemic period).

From a sector perspective, Utilities (+2.3%) lead the way, driven by the revised bid for Origin Energy. Information Technology (+2.2%) was also strong on the back of solid updates from Link Group and Computershare which both have exposure to rising interest rates. Other sectors which outperformed included Industrials (+1.4%) and Consumer Staples (+0.9%). As detailed above, the weakest sector was Materials (-6.9%) as underlying commodity prices fell in response to a US dollar rally (DXY +2.8%). Brent Oil fell by US$2 to US$82.45/bbl, Iron Ore prices fell US$3 to US$126/Mt while the broad-based London Metals Index fell 7.5%. Financials (-3.8%) also dragged the index lower after Commonwealth Bank warned that the bank sector had seen peak Net Interest Margins (NIMs) back in October.

The Fund returned -2.52% in February. Overweight positions that contributed positively included: Medibank Private (MPL), which posted a solid beat to 1H earnings expectations on the back of improved PHI margins and Underweight stocks that contributed positively included: Harvey Norman (HVN), which reported a soft start to sales in the new calendar year with its 1H result; and, Commonwealth Bank of Australia (CBA) which said NIMs peaked in October and foresees a tougher environment competitively for the banking sector this year.

Key detractors included overweight positions in: Dominos Pizza (DMP) which missed 1H earnings expectations and issued a soft sales update for the star of 2H, and Northern Star (NST) which fell along with its gold sector peers in reaction to a softer underlying gold price. The key underweight position which negatively impacted performance was QBE Insurance Group (QBE) which rallied on a solid beat to CY22 earnings on the back of strong growth in GWP which drove operating leverage from the expense base.

Outlook

Going forward we think the market is likely to remain volatile with stocks subject to disappointment and ongoing valuation risk. While the RBA is getting close to peak policy rates, it is unlikely to soften its rhetoric for fear of the market getting ahead of itself and driving a further easing in financial conditions. Similarly, the economy is now showing signs of weakness with consumer sentiment at its lowest level since the 1990's, unemployment ticking higher, real wages falling and house prices still under downward pressure. At the same time, there has been only limited progress in bringing inflation lower, so corporates are likely to find top line and margin pressures rising rather than falling as we move further into the year. However, we think Australia can avoid recession and that the economic slowdown will be short and shallow. In addition, markets are forward looking, and we think they will soon be focused on the other side of the tightening cycle as well as an improving economic growth backdrop. Valuations are also much more appealing given the decline through 2022. Elevated volatility and an uncertain macro backdrop is fertile ground for long/short investing before a new cycle begins.

Fund Facts

APIR CODE
ETL0069AU

RESPONSIBLE ENTITY
Equity Trustees Limited

INCEPTION DATE
18 September 2006

PERFORMANCE FEE
20.5% of the Fund's return above the Fund Benchmark

DISTRIBUTIONS
Half-Yearly

MANAGEMENT FEE
0.97% P.A.

INVESTMENT MANAGER
Tribeca Investment Partners Pty Ltd

BUY / SELL SPREAD
Buy +0.30% / Sell -0.30%