TRIBECA ALPHA PLUS – CLASS A: MONTHLY REPORT

Tribeca Investment Partners

November 2020

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 30 November 2020

	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]	8.18	5.28	5.84	8.30	8.88	11.08	9.40	9.00
Benchmark[3]	10.21	8.22	(1.98)	6.94	9.05	7.31	8.10	6.23
Value added	(2.03)	(2.94)	7.82	1.36	(0.17)	3.77	1.30	2.77

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
Star Entertainment Group Limited	2.6
Fortescue Metals Group Ltd	3.9
AGL Energy Limited	-1.5
Bluescope Steel Limited	2.2
Cleanaway Waste Management Ltd.	2.0
Goodman Group	--
Scentre Group	2.5
Macquarie Group Limited	4.3
Afterpay Limited	2.9

Portfolio characteristics	Portfolio%	Index%[1]
Communication Services	6.2	3.8
Consumer Discretionary	8.1	4.6
Consumer Staples	5.4	8.9
Energy	4.5	3.9
Financial-x-Property Trusts	26.1	28.4
Health Care	11.4	11.5
Industrials	8.7	7.4
Information Technology	1.2	4.1
Materials	21.7	18.9
Property Trusts	6.6	7.1
Telecommunication Services	1.5	--
Utilities	-1.4	1.5
Cash	0.1	--
TOTAL[2]	**100.0**	**100.0**

1 S&P/ASX 200 Accumulation Index

2 May not total due to rounding

Manager commentary

November was an extraordinary month for both Australian and global equity markets as they were fuelled by optimism around an earlier-than-expected COVID-19 vaccine together with a reduction in political uncertainty as it became clear that Joe Biden would take the White House but that the Senate and House would remain split. The Australian market rose 10.0% to post its best monthly return in 27 years, although this was not nearly as impressive as the 12.2% rise in the MSCI All Country World Index, posting its best monthly return on record. Equally as noteworthy, global equity funds posted their largest 3-week inflows in history through November while short positioning in US equities reached a near 20 year low – further confirmation of how quickly optimism has returned. Against this backdrop, the Tribeca Alpha Plus Fund delivered a gain of 8.18% compared to the ASX 200 Index at 10.21%, an underperformance of 2.03%.

A rotation towards COVID-19 losers (value / cyclical stocks) and away from COVID-19 winners (growth / defensive stocks) was the primary driver at a broad index level as confidence in an economic recovery gained speed and the yield curve steepened as long dated bond yields edged higher. Energy (+28%), Financials, led by Banks (+16%), Communication Services (+14%) and Real Estate (+13%) were the major winners while Consumer Staples (-0.7%), Utilities (1.5%) and Healthcare (2.9%) were the laggards.

Many high multiple growth stocks were used as a funding sources for the rotation into cheaper cyclical stocks (ALU -5%, APX -2%, APT -2%), which pushed the performance differential between “Value” and “Growth” out to 4% for the month. However, given the breadth of the November rally (now dubbed the “Everything Rally”) and the scale of outperformance by growth stocks in months prior, this was consistent with the shift in economic and market expectations.

Travel and Tourism stocks were amongst the strongest performers for the month led by Webjet (WEB) +65%, Flight Centre (FLT) +52%, Corporate Travel Management (CTD) +37% and Qantas (QAN) +28% followed by a broad risk-on rally across financial services with Bendigo Bank (BEN) +33%, National Australia Bank (NAB) 25%, NIB Holdings (NIB) 24% and Bank of Queensland (BOQ) 23%. The oil price rose 27% in November as vaccine hopes drove expectations of a more normalised demand environment starting to unfold. This drove a meaningful increase in oil and oil related stocks with Beach Energy (BPT) +49%, Oil Search (OSH) +42% and Worley (WOR) +37%. Finally, the potential for a faster-than-expected return to the office and shopping malls and a much-improved residential outlook saw Real Estate stocks also post some of the strongest returns with Vicinity Centres (VCX) +36%, Scentre Group (SCG) +33% and within small caps Unib-Rodam (URW) rose an impressive 73%.

Positive contributions this month largely came from companies exposed to the reopening thematic that benefitted from the positive vaccine news, although company-specific factors also played a role as always. These included: Oil Search Ltd (OSH) and Beach Energy (PBT) – which both rallied as the vaccine news provided a line of sight to a recovery of international travel, a core demand driver of fuel and therefore oil; Seek (SEK) – which is also leveraged to reopening of the economy and also recovered strongly after a sharp sell-off in response to a short seller report (which we reviewed and did not change our investment thesis); Scentre Group (SCP) – exposed to social reopening and prospects of strong retail trading into Christmas this year. Short positions which positively contributed include: Domino’s Pizza (DMP) – which has benefitted from the home dining thematic during COVID-19; and Altium (ALU) – which languished after a disappointing trading update. With the drastic movements in response to the vaccine news, this month highlights more than ever the value of a balanced long-short portfolio, which can benefit both from winners and losers, while effectively managing risk.

Detractors this month include short positions in companies positively exposed to the reopening thematic brought about by the vaccine: Whitehaven Coal (WHC); Nanosonics (NAN) – which was aided by a positive trading update; and Flight Centre (FLT). Detractors on the long side included companies that were sold off as ‘COVID-19 winners’ on the back of the vaccine news: Megaport (MP1); ARB Corporation (ABR); Super Retail Group (SUL).

Outlook

Our view is that the equity market will continue to grind higher towards year end underpinned by lower interest rates, refreshed stimulus globally and a reasonably benign policy environment in the US. Notwithstanding, concerns that have recently surfaced for the equity market are unlikely to fade quickly as COVID-19 cases continue to rise throughout Europe and the UK and lock-down measures are likely to accentuate the recent loss in economic momentum.

Outside global concerns, Australian equities have the potential to perform much better in the near term as the economy continues to reopen (particularly Victoria) and as the RBA adds further monetary policy stimulus in an effort to lower the Australian dollar. This should keep interest rates at rock-bottom levels, in-turn supporting housing and other interest rate sensitive areas of the economy and equity market such as long duration growth stocks.

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 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 (SGR) and Sydney Airport (SYD). We do not believe 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.

Stay invested and stay active.

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

Important Information