

December 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 31 December 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 | 2.92 | 12.39 | 10.62 | 7.94 | 9.05 | 11.49 | 9.35 | 9.17 |
| Benchmark ³ | 1.21 | 13.70 | 1.40 | 6.73 | 8.73 | 7.38 | 7.84 | 6.29 |
| Value added | 1.71 | (1.31) | 9.22 | 1.21 | 0.32 | 4.11 | 1.51 | 2.88 |

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 | 2.5 |
| Afterpay Limited | 3.5 |
| Treasury Wine Estates Limited | 2.4 |
| Cleanaway Waste Management Ltd. | 2.2 |
| Bluescope Steel Limited | 2.2 |
| Goodman Group | -- |
| AGL Energy Limited | -1.3 |
| Nuix Ltd. | 1.7 |
| Domain Holdings Australia Ltd. | 1.7 |

1 S&P/ASX 200 Accumulation Index

2 May not total due to rounding

| Portfolio characteristics | Portfolio% | Index% ¹ |
|-----------------------------|--------------|---------------------|
| Communication Services | 7.3 | 3.7 |
| Consumer Discretionary | 8.6 | 4.6 |
| Consumer Staples | 6.1 | 9.0 |
| Energy | 4.3 | 3.7 |
| Financial-x-Property Trusts | 24.9 | 27.8 |
| Health Care | 10.2 | 10.8 |
| Industrials | 7.4 | 7.3 |
| Information Technology | 2.4 | 4.5 |
| Materials | 21.4 | 20.3 |
| Property Trusts | 6.4 | 6.9 |
| Telecommunication Services | 1.5 | -- |
| Utilities | -1.2 | 1.4 |
| Cash | 0.7 | -- |
| TOTAL² | 100.0 | 100.0 |

Manager commentary

December saw a continuation of the vaccine-inspired equity market rally from November, albeit at a slower pace. The ASX200 Index posted a total return of 1.2% in December compared to 10.2% in November while global equities posted 4% and 12% in December and November respectively. The ASX200 Resources Index (+8.4%) outpaced Industrials (-0.2%), boosted by a massive 25% increase in the iron ore price during the month as problems in big producer Brazil curtailed supply while China's robust economic recovery kept demand strong. Against this backdrop, the Tribeca Alpha Plus Fund delivered a gain of 2.92% compared to the ASX 200 Index of 1.21%, an outperformance of 1.71%.

Performance through December provided further confirmation of the growing confidence in Australia's economic recovery supported by the November announcements of multiple COVID-19 vaccines and further gains in activity as the effects of social restrictions gradually reverse. The standout performances came from Materials (+8.8%) as well as a rebound in the Technology sector (+8.6%) which had significantly lagged the more beaten down value sectors in November rally while the worst performing sectors were the defensive Utilities (-5.4%) and Health Care (-4.7%) sectors. Financials (in particular, banks) took a breather after a staggering 17% rally in November with the sector declining 0.5% in December. This was primarily driven by a 5.1% decline in Insurance following QBE's FY20 update which was well below market expectations and resulted in a 13% decline. Many of the travel and tourism stocks (WEB, FLT, CTD) also consolidated through December after outsized gains in November.

The best performing large-cap stocks during the month were iron-ore miner Fortescue Metals Group (+28.5%) and technology company Afterpay Limited (+24.2%) while the worst performing large-cap stocks were technology company Appen Limited (-21.7%) (which issued an earnings downgrade) and education provider IDP Education Limited (-18.9%) (as hopes faded of a quick return of international students). A2M was also an early month casualty of an earnings downgrade.

For the Alpha Plus Fund, there were a few positions that contributed to outperformance, which are worth highlighting. Overweight positions included: (NXL) – the exciting cybersecurity technology provider that listed in December; Fortescue Metals Group (FMG) – as the iron ore price rallied strongly on supply curtailment in Brazil and growing demand from China; Afterpay (APT) – which achieved the milestone of being included as one of the 20 largest stocks on the ASX by market cap in the month; and Treasury Wine Estates (TWE) – which recovered after being heavily sold off on news of Chinese tariffs. Underweight positions in AGL Energy (AGL), Cochlear (COH) and IDP Education (IEL) also generated positive attribution.

As always, there were notable detractors from performance in December. We always review underperforming positions and stress-test our theses, balancing high conviction with flexibility and open-mindedness. Underweight positions in Nanosonics (NAN) – which rallied along with the Biotechnology sector globally, Sims (SGM) – benefitting from rotation into cyclical value names, and Domino's Pizza (DMP) – which reversed heavy losses since the announcement of successful vaccine clinical data. Overweight positions in Qantas (QAN), Fisher & Paykel Healthcare (FPH) and Netwealth (NWL) also detracted from performance.

Outlook

We expect 2021 to be a positive year for Australian equities, supported by easy monetary conditions, ongoing fiscal support and an economy which continues on a path towards normalcy as the lagged impacts of social restrictions unwind. In addition, a solid global backdrop – led by China but including the US – will also provide a strong tailwind for specific areas of the market (i.e. commodities) as well as both domestic and internationally exposed cyclicals.

While risks will remain ever present – and extended valuations for some areas of the market an ongoing threat – both the government and the Reserve Bank of Australia have laid the foundations for a solid economic recovery which will be increasingly supported by an accelerated roll-out of a COVID vaccine. We expect the government to remain pragmatic on the speed at which it removes its accommodative fiscal support and a lack of inflationary pressures and strong forward guidance by the RBA point towards an extended period for record low interest rates.

Last year's COVID vaccine announcements drove a sharp reversal in the performance of many laggard areas of the domestic equity market such as financials, travel and tourism, consumer discretionary and industrials. It also saw a sharp re-pricing in the fixed income market with a dramatic increase in long bond yields and profit taking in many "work from home" winners. This reflected increased confidence around the economic outlook, and it is likely that these trends continue through this year as growth normalizes. This should provide ongoing support for cyclicals, value stocks, small caps and domestic stocks which are globally exposed.

While a large part of the "catch-up" phase and/or valuation normalization has already taken place (banks rose 28% over 4Q20), an improving earnings cycle and further inflows into risk assets as a result of a lack of alternatives will provide both downside support during periods of weakness as well as a tailwind for upside as we move further into the year. While a rise in bond yields may see some pressure on areas where valuations are well above historical norms, we don't expect it to undermine equities in general, particularly we see further gains in earnings as an offset. Similarly, it is unlikely that neither wage nor inflation pressures will be high over the coming 12 months.

We have been encouraged by the strength of consumer spending and the resilience of other areas where consensus was expecting weakness such as the labour market, housing sector and corporate delinquencies through the end of 2020. We are now seeing developments in the real economy confirm the willingness of the equity market to look through these risks. While many of the longer-term headwinds to a strong and sustainable economic recovery have not completely disappeared, abundant liquidity will remain an important bridge during periods of weakness.

We think the coming year will be ultimately driven by a broadening of the "reflation" trade. This will continue to support commodity related areas (which have been in an upgrade cycle since mid 2Q20) as well as other domestically exposed areas of the market. While growth is currently out of favour, there remain strong structural reasons as to why investors will not abandon this thematic in totality. Expect equities to rise in excess of 10% supported by modest valuation expansion in cyclicals, broad earnings upgrades, continued low interest rates and strong equity inflows as investors hunt higher yields and capital returns.

Stay invested and stay active.

See [gsfm.com.au](https://www.gsfc.com.au) for more information about the Tribeca Alpha Plus Fund.

Important Information

Investment Manager: Tribeca Investment Partners Pty Ltd ABN 64 080 430 100 AFSL 239070. Responsible Entity: Equity Trustees Limited ('EQT') ABN 46 004 031 298 AFSL 240975, Distribution partner: GSFM Pty Limited ('GSFM') ABN 14 125 715 004 AFSL 317587. This report is provided for information purposes only and is not intended to take the place of professional advice. Neither Tribeca, EQT nor GSFM give any warranty as to the accuracy, reliability or completeness of the information in this report nor do they undertake to correct any information subsequently found to be inaccurate. Opinions expressed may change without notice. This report has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision in relation to the Fund, you should consider the appropriateness of this information having regard to your own objectives, financial situation and needs and read and consider the Fund's product disclosure statement dated 18 April 2019 ('PDS'). Retail investors may invest in the Fund through a licensed financial adviser or an investment platform using the PDS for that platform which can be obtained from the operator of the platform. This document is issued on 14 January 2021.