TRIBECA AUSTRALIAN SMALLER COMPANIES – CLASS A: MONTHLY REPORT

Tribeca Investment Partners

January 2021

Fund overview

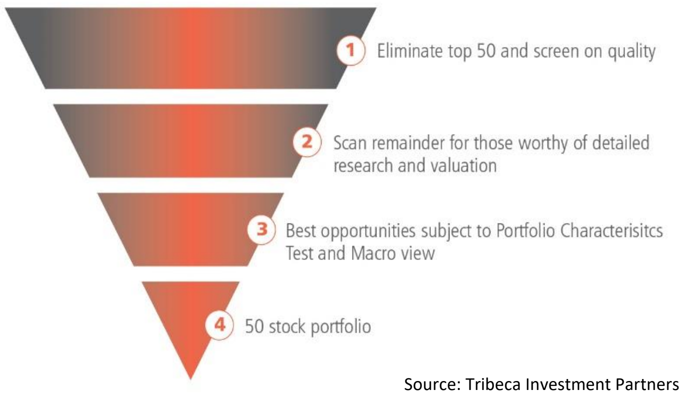
This is an actively managed, long-only strategy with flexibility to enhance alpha through its ability to invest up to 20% of the Fund in mid-cap stocks outside the ASX-50 Index.

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 January 2021

	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]	0.11	15.70	14.79	10.11	12.08	10.00	7.31	8.77
Benchmark[3]	(0.25)	13.03	5.38	6.68	11.56	8.65	3.97	5.47
Value added	0.36	2.67	9.41	3.43	0.52	1.35	3.34	3.30

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%
Uniti Group Ltd.	3.6
Fletcher Building Limited	2.8
Nickel Mines Ltd.	3.2
Senex Energy Limited	2.3
EML Payments Ltd.	2.6

1 S&P/ASX Small Ordinaries Accumulation Index

2 May not total due to rounding

Portfolio characteristics	Portfolio%	Index%[1]
Communication Services	6.8	5.1
Consumer Discretionary	16.3	17.5
Consumer Staples	4.7	6.2
Energy	3.7	2.3
Financials (ex-Property Trusts)	11.0	14.0
Healthcare	6.8	7.4
Industrials	8.2	7.2
Information Technology	7.6	6.5
Materials	25.4	22.2
Property Trusts	8.3	11.6
Cash	1.2	--
TOTAL[2]	**100.0**	**100.0**

Manager commentary

Nerves frayed across global markets through the latter part of January, as ructions in a handful of heavily shorted US small cap stocks stoked volatility and accentuated bubble fears. The late-month weakness resulted in most developed markets giving up some solid gains, with the Australian market closing broadly flat – the broader market gaining +30bps, while small caps lost -30bps. In a global context emerging markets outperformed. Within the Australian market, and contrary to global markets, the energy and health were weakest domestically, alongside information technology. Telecommunications, discretionary and financials were among the best performing sectors.

COVID continued to dominate news headlines, specifically caseload counts and emerging virus variants. However, investors focused on countries such as Israel where vaccinations were well advanced (54% of the population) and proving effective. The aforementioned short squeezes saw hedge funds reducing positioning as they sold long positions to cover shorts. Positioning had become very bullish and we view the sell-off as a pause that refreshes versus anything major. Domestically, several companies updated the market highlighting positive trading through November and December, retailers in particular. Continued EPS upgrades are likely to be a feature of the 1H reporting season in February, in our view. Meanwhile, bond yields continued to drift higher, keeping pressure on high multiples and interest rate sensitive segments of the market. The recent cyclical rotation eased back because of the late month de-risking, though commodity prices remained well-bid led by oil (brent +8.1%). The Tribeca portfolio eked out 50bps of outperformance driven by a broad cross-section of contributors.

Positive contributors to alpha for the month included Polynovo Ltd (PNV -32.2% not held), after PNV notified the market that while H1 trading was softer than anticipated they expected a stronger half to achieve pre-existing FY21 guidance. Unfortunately, for shareholders the share price implied little for disappointing news, having rallied 76% in the December quarter. While undoubtedly PNV has a great product and is growing strongly, we felt it would be challenging to achieve its guided growth rates in FY21. Furthermore, we view PNV's eventual end market size and penetration as being well short of that implied by the stock's current market value. Nickel mines (NIC +14.0%) had another good month, delivering a strong quarterly production report, paying its inaugural dividend together with tailwinds from strong commodity prices (Nickel LME +7.2%). Lynas Rare Earths (LYC +20.1%) formalised an agreement with the US Department of Defence to build a light rare earth processing facility. While this was largely expected, it reinforced the US commitment to diversify their rare earth procurement away from traditional supply sources (China) in which LYC will play a pivotal role. IDP Education (IEL +15.8%) was subject of no news of note however successful vaccination role outs buoyed expectations for a return to international student travel. Lastly, Unit Group (UWL +7.0%) delivered their final quarterly report, noting trading was ahead of expectations last updated at their purchase of Telstra's fixed-line assets. This was particularly pleasing, highlighting strong underlying momentum in the base infrastructure business, while the pickup in housing should provide additional backlog and churn opportunities.

Detracting from performance was AMA Group (AMA -19.4%), with the board announcing whistle-blower allegations in regard to the CEO, to which the CEO responded with court action. It appears indicative of deeper boardroom divisions, which is frustrating given the recovery in driving as we emerge from various state-imposed restrictions. We will work proactively to help ensure disruptions to the business are minimised and governance standards are not compromised. Zip Co (Z1P +37.4% not held) updated the market, its fifth since mid-October, with a continuation of strong customer procurement and transaction volume particularly in their US Quadpay operations. There appears to be little barriers to entry in the BNPL space, with many players emerging and growing very quickly. Low penetration rates of retail sales in the US are a potential risk to our underweight, as well as investors' apparent apathy as to whether actual earnings will end up supporting implied valuations. PointsBet Holdings (PBH +31.5%) is in a similar camp, with quarterly updates showing high levels of turnover and customer activity in both the US and Australia. The driver of this in the US -legalisation of sports wagering by US States in order to generate additional tax revenues -has the potential to happen at a faster rate than expected as state governors see the success in other states. PBH has done an incredible job to position itself as a player in the US, however near-term risks are high (New York state legislation) and are not skewed in the favour of PBH, in our view. Harvey Norman (HVN +13.9% not held) likely piggy-backed retailer announcements of a strong Christmas trading period while Pro Medicus (PME +25.4% not held) announced additional contracts with US hospitals for their radiology information systems (RIS) and picture archiving and communications systems (PACS).

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

Important Information