Tribeca Investment Partners

Tribeca Australian Smaller Companies Fund
January 2022 Monthly Update

	1 mth	3 mth	1 yr	3 yr	5 yr	10 yr	ITD
Tribeca Australian Smaller Companies Fund	-8.06%	-7.63%	17.28%	17.58%	13.67%	9.73%	9.48%
S&P/ASX Small Ordinaries Accumulation Index	-9.00%	-7.99%	6.65%	10.13%	9.64%	6.17%	5.57%
Value Added	0.93%	0.36%	10.63%	7.45%	4.03%	3.56%	3.91%

Net performance after fees. Past performance is not a good indicator of future performance.
3 Year, 5 year and Inception to Date returns are annualised.

Portfolio Managers

David Aylward

Simon Brown

Fund Information

The Tribeca Australian Smaller Companies Fund 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 ASX50 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.

Inception:	August 2010
Minimum Investment:	AUD $25,000
Subscriptions:	Daily
Redemptions:	Daily
Management Fee:	0.92% p.a.
Performance Fee:	15.38% of the Fund's return above the Fund Benchmark
Responsible Entity:	Equity Trustees Limited
Custodian & Administrator:	J.P. Morgan Chase Bank N.A. (Sydney Branch)
Auditor:	PwC

Performance Attribution Summary

Major Contributors	Contribution of Added Value	Active Position
Karoon Energy Ltd	0.35%	OW
G.U.D. Holdings Limited	0.31%	OW
Santos Limited	0.29%	OW
Nickel Mines Ltd.	0.26%	OW
IGO Limited	0.24%	OW

Major Detractors	Contribution of Added Value	Active Position
BrainChip Holdings Ltd.	-0.37%	UW
Life360	-0.22%	OW
Beach Energy Limited	-0.20%	UW
Tyro Payments Ltd.	-0.18%	OW
Iluka Resources Limited	-0.17%	UW

Major Portfolio Positions

Overweights	Position
Life360	3.44%
Mineral Resources Limited	3.24%
Nickel Mines Ltd.	3.11%
Senex Energy Limited	2.77%
Eclipx Group Ltd.	2.53%

Underweights	Position
Iluka Resources Limited	-1.72%
ARB Corporation Limited	-1.38%
Seven Group Holdings Limited	-1.33%
Shopping Centres Australasia Property Group RE Ltd.	-1.23%
Charter Hall Long WALE REIT	-1.15%

Main Purchases for the month

Stock	Reason
Telix Pharmaceuticals Ltd	Participated in a placement during the month to support U.S. product launch.
Pro Medicus	Strong tailwinds and a clear pathway for growth. The recent sell-off provided a buying opportunity.
City Chic Collective	Released a trading update indicating sales in the US were stronger-than-expected.
GUD Holdings	Solid growth profile following acquisition, trading at a very attractive valuation.
Johns Lyng Group Ltd	Acquisition in the US provides the opportunity to consolidate that market.

Main Sales for the month

Stock	Reason
ZIP Co Limited	Sold position as top-line growth is moderating and the competitive environment has become more difficult.
Uniti Wireless	Took some profit as stock approaches our fundamental valuation target.
Pinnacle Investment	Sold position as the outlook for growth equities impacts our view on PNI's key affiliates.
Aeris Resources	Disappointing update, downgraded production guidance. Re-evaluating our position
Imdex Limited	Took profits after strong run in the share price.

Performance Commentary

A gnawing sense of doubt plagued markets in the first month of 2022, with most major equity indices flirting with or entering a technical 'correction'. The threat of an overly zealous Fed, the Omicron wave and ongoing supply chain concerns raised questions about the resiliency of the global recovery. With incoming 4Q21 data suggestive of a drop in momentum as we moved into the new year, commentators were quick to draw comparisons to late 2018. We don't see this as the case. Ahead of domestic interim reporting in February, the quarterly earnings season across major markets saw around three quarters of companies beat estimates, although the quantum was down compared to the previous quarter. Factor wise, trends in January were consistent with those of a market correction, with investors favouring defensive factors such as low volatility and beta while punishing securities with stretched or higher valuations. Turning to markets, the broader S&P/ASX 200 Accumulation Index fell 6.4%, the worst month since the outbreak of the COVID-19 pandemic. Tech, health and staples led declines. In Small caps, the damage was worse, with the index falling 9.0%. The culprits were similar though resources names fell far more than their larger peers. The Tribeca portfolio held up better than the market, with cyclicals and defensive names escaping much of the carnage. This was partially offset by IT and growth exposures which dragged on performance despite our relative value tilt as correlations in the space converged.

Oil prices rallied to a 7-year high during the month, rising 17% to $91/bbl (Brent), reacting to concerns over tight supply. As life slowly returns to normal, so will mobility and forecast oil consumption, with OPEC indicating lifting its quota to satisfy the recovery in demand. However, data shows various OPEC members falling short of targeted levels of production, casting doubt whether expected levels of spare capacity are accurate. Meanwhile, geopolitical tensions involving the UAE and Russia added to concerns. Higher prices buoyed our holdings in Karoon Energy (KAR +13.7%) and Santos (STO +13.5%) but underperformed the commodity. Both names have relatively near-term targets of carbon neutrality/negative which we feel are underappreciated by the market given their implied valuations, with the added benefit of oil providing an inflation hedge in the portfolio. G.U.D Limited (GUD +8.4%) performed well post their transformative acquisition and capital raise back in December. The market was somewhat polarised over the deal, given they bought the asset at a fair price from private equity who, as a result, doubled their money in short order. However, we think it dilutes the existing business which we weren't overly attracted to while the price stacked up well against comparator ARB Corp which trades at over 2x the GUD multiple. In the worst-case scenario, we feel there is 18 months of new business integration and synergy extraction where earnings growth should be somewhat predictable, and we're paying a big discount to the market multiple. Lastly, nickel prices had a good month (Nickel +9%), as global stockpiles of the metal dwindled and forecast consumption continued to rise on the back of improving EV adoption. Names we hold and exposed to the commodity include Nickel Mines (NIC +0%) and IGO Ltd (IGO +2.4%), though both names delivered strong quarterlies in January and trade relatively cheaply, their value bent assisted in weathering the market volatility during the month.

Stocks contributing negative attribution to the portfolio in January included Brainchip Ltd (BRN +109.6% NOT HELD), which went on an eye-watering rally on the back of no perceptible news (even declaring such in an ASX query released to the market). It did subsequently announce that it was granted a US patent for its neuromorphic artificial intelligence chips, joining various other patents granted in other markets. BRN has an interesting concept that, if proven successful, could be truly game-changing in the field of AI and machine learning applications. On the current basis, the market has been quick to imply a reasonable degree of success into the current share price, with any material revenue still a way off. Life360 (360 -15.6%) and Tyro Holdings (TYR -21.7%) continued to be taken to task by the market, in a similar vein to the rest of the growthier cohort of names. 360 delivered a very strong quarterly that did little to change the mind of investors, despite a valuation now very much at the low end of the range of global tech peers. TYR took a hit from reduced mobility due to Omicron, but their weekly transaction data releases showed a lesser impact than implied by the share price moves, in our view. We think both look reasonably good value and should be poised to regain some of the recent underperformance especially versus their peer group. Lastly, Iluka Resources (ILU +2.4% NOT HELD) is a large index weight but one of our lesser preferred resources names that also managed to hang in well in the soft market conditions as was Beach Energy (BPT +17.5% NOT HELD) in the oil and gas space.

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