Tribeca Alpha Plus Fund
January 2022 Monthly Update

Tribeca Investment Partners

Portfolio Manager

Jun Bei Liu

	1 mth	3 mth	1 yr	3 yr	5 yr	10 yr	ITD
Tribeca Alpha Plus Fund	-5.95%	-3.68%	12.93%	15.77%	10.08%	12.22%	9.46%
Benchmark	-6.35%	-4.30%	9.44%	9.77%	8.50%	9.53%	6.45%
Value Added	0.40%	0.61%	3.49%	6.01%	1.57%	2.69%	3.01%

1. Net performance after fees. Past performance is not a good indicator of future performance
2. 3, 5, 10 Year and Inception to Date returns are annualised.
3. Fund benchmark is the S&P/ASX 200 Accumulation Index

Performance Attribution Summary

Major Contributors	Contribution of Added Value	Active Position
Santos Limited	0.45%	OW
BHP Group Ltd	0.41%	UW
Crown Resorts Limited	0.17%	OW
Altium	0.16%	UW
Charter Hall Group	0.14%	UW

Major Detractors	Contribution of Added Value	Active Position
Pro Medicus Limited	-0.32%	OW
Pinnacle Investment	-0.28%	OW
Woodside Petroleum Ltd	-0.26%	UW
Rio Tinto Limited	-0.19%	UW
Megaport Ltd.	-0.16%	OW

Major Portfolio Positions

Overweights
Santos Limited
Seek Limited
Crown Resorts Limited
Fortescue Metals Group Ltd
Qantas Airways Limited

Underweights
BHP Group Ltd
Wesfarmers Limited
ASX Limited
Woolworths Group Ltd
Transurban Group Ltd.

Long	123.08%	Short	-23.51%

Summary of Trading Activity

Main Purchases for the Month / Main Sales for the Month

Stock	Reason	Stock	Reason
Goodman Group	Took advantage of an intra-month sell off to add to our position.	Link Administration Holdings	Took profit following cash bid from Dye & Durham in December.
Cochlear	Re-initiated a position in COH following a material de-rating of the share price.	Stockland	Exited position given material change in interest rate outlook and the implication for the residential sector.
Telix Pharmaceuticals Ltd	Initiated a new position via a placement during the month. One of our preferred small cap biotech names.	Coles Group	Exited position ahead of results based on supply chain concerns.
Megaport Ltd	Took advantage of material of material de-rate to add position. MP1 is a global leader software defined enterprise networking.	The Star Entertainment	Exited position as regulatory pressure intensifies.
Platinum Asset Management	Initiated a position reflecting changes in our fundamental pecking order in the fund management space.	Pilbara Minerals Ltd	Took some profit after material outperformance.

Performance Commentary

January saw a brutal start to the year for global equity markets. A rapid reset of US interest rate expectations based on worse- than-expected inflation readings drove a wave of selling that started in the high-multiple technology sector, but then quickly spread into the broader equity complex. The sell-off had a domino effect on any stocks which had been beneficiaries of strong retail and/or speculative inflows throughout 2021 as frightened investors rushed for the exits due to fears that the US Federal Reserve would bring a premature end to both the economic cycle and the equity bull market. By the end of the month, markets had recovered a few percent, but the damage had already been done.

The Australian equity market fell -6.6% to post its fourth worst start to the year since 1960. Surprisingly, it underperformed world equities (-4.2%) and the S&P500 (-5.2%) and in turn failed to live up to its low beta (defensive) moniker in the first real post pandemic test. This was led by a massive 18.4% decline in the technology sector, which incidentally also underperformed the tech heavy NASDAQ, where the global sell-off originated. Several Australian tech stocks fell more than 20% over the month (WTC, ALU, XRO) but there were few names that were lucky enough to escape the carnage given the lofty valuations at which the sector trades. Against this backdrop, the Tribeca Alpha Plus Fund fell by 5.78% outperforming its benchmark, the ASX 200 Accumulation Index by 0.57%.

The nature of the correction also saw other high-multiple and rate sensitive sectors also come under significant selling pressures with Healthcare declining -12.1%, Consumer Staples falling -9.6% and Real Estate -9.5%. On the other hand, there was a clear tilt towards cyclical and value sectors with Energy bucking the trend, rising 7.9% (courtesy of strong gains by WPL +14.3% and STO +13.2%). Utilities gained +2.4% due to a 15.6% rise in AGL and Materials finished with a slight gain thanks to BHP +11.7% and RIO +11.4%. Despite a significant steepening in the yield curve, which is traditionally a very positive sign for the banks due to expanding margins, Banks were not major outperformers. Over the month, the Australian Growth Stock Index fell 10% versus the Value Stock Index which was down only 1.5% due to its overweight exposure to Energy, Materials and Financials.

On the stock front, positive attribution for the month mainly came from the short book and in particular high PE technology names that we are short or underweight. Overweight positions that contributed positively included: Santos Limited which completed the acquisition of Oil Search at the close of 2021 and has benefited recently from rising oil and gas prices; BHP Group which is benefiting from a strong commodity price environment, and; Crown Resorts which continued to recover from both Covid lockdowns and a significant regulatory overhang. Underweight positions that contributed positively to performance included: Altium, Wisetech and Technology One which were all caught up in a de-rate of high PE “expensive” growth stocks in the face of rising interest rates.

On the flipside key detractors to performance for the month were overweight positions in Pro Medicus, Pinnacle and Megaport which were also caught up in the sell-off of high PE stocks. Underweight positions in Woodside and AGL Energy both detracted from performance in the face of rising energy prices.

Outlook

It is unlikely that the recent extreme levels of volatility are over as we enter the February reporting season and as expectations for interest rates take time to settle down. The past two years have seen some unusual forces driving equity markets including extremely accommodative monetary policy settings that have boosted valuations and driven high inflows as well as an intense focus on “stay at home” stocks to the exclusion of domestic cyclicals. We believe it will take time for these factors to normalize and it will continue to make stocks trading on high valuation multiples vulnerable to disappointment on the earnings front and/or a further rise in interest rates that will put pressure on valuations.

On the positive side, there was a notable differentiation between stocks leveraged to the economic recovery and those leveraged to low rates. While there was a rush for the exits in the latter, the former held up relatively well. This points towards elevated confidence in the economic outlook which does not appear to be at threat from rising interest rates (and to a lesser extent geopolitical risk which may have also been playing a part in the negative sentiment through in January).

At this stage, the economic cycle is maturing but not at risk of ending. Unlike the US Federal Reserve, the RBA has a little more room to keep rates on hold through the first half of 2022 and its unlikely that it will need to follow such an aggressive path higher. Alongside an improving global economy, large pools of excess savings, a strong labour market and a gradual reopening of borders, the Australian economy is well placed to outperform in 2022 with the equity market following a similar path. We urge investors to avoid getting caught up in the noise that is extremely loud. Focus instead on the underlying trends which are not as strong as in the early stages of the pandemic-driven recovery, but nevertheless still solid.

Stay invested and stay active.

Regards,

Jun Bei Liu

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