TYNDALL AUSTRALIAN SHARE INCOME FUND.

FUND UPDATE

AS AT
31 AUGUST 2022

Fund Performance (%)

	1 Mth	3 Mths	6 Mths	1 Yr	2 Yrs p.a.	3 Yrs p.a.	4 Yrs p.a.	5 Yrs p.a.	7 Yrs p.a.	Since Inception p.a
Fund Growth return	1.44	-5.61	-2.40	-6.75	8.07	-0.51	-1.45	-0.66	0.24	1.98
Fund Distribution return	0.00	3.27	3.94	7.35	6.35	5.65	6.13	6.28	7.13	6.59
Total Fund return (net)*	1.44	-2.33	1.54	0.60	14.42	5.13	4.68	5.62	7.38	8.57
Fund grossed up dividend yield				11.22	8.73	7.99	8.99	8.87	8.98	8.80
S&P/ASX 200 Accumulation Index Yield (grossed up for franking credits)				5.61	4.86	4.76	5.02	5.18	5.45	5.77
Excess yield				5.60	3.88	3.23	3.97	3.69	3.53	3.03

Source: BNP Paribas. Fund growth return is the change in redemption prices over the period. Fund distribution return equals Total Fund minus Fund growth return. The grossed up dividend yield for the Tyndall Australian Share Income Fund is before fees and relates to the Fund's holdings and differs from the Fund's distribution due to franking credits, management fees and other costs. There are also timing differences between the Fund grossed up dividend yield and the Fund distribution return. Dividends for the grossed up dividend yield are calculated on the stock's ex-dividend date. Dividends for the distribution return are generally calculated when the dividend is received (which can be after the ex-dividend date and the reporting period for this Fund Update). YIML adopts a distribution policy, whereby a certain amount of income is held back each quarter, with the full amount released at the end of the financial year. Net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Past performance is not an indicator of future performance. Inception date: 14 November 2008.
*Due to share buy-back participation performance was negatively impacted: BHP Apr 2011 0.250%; TLS Oct 2014 0.295%; TLS Oct 2016 0.153%; RIO Nov 2017 0.011%; RIO Nov 2018 0.459%; BHP Dec 2018 0.061%; WOW May 2019 0.068%; CBA Oct 2021 0.230%; WOW Oct 2021 0.102%

The Fund outperformed the broader equities market during the month (on a net basis).

The Fund has delivered a grossed up dividend yield of 11.22% over the past 12 months and continues to exceed its long-term performance objective, by delivering an excess grossed up dividend yield greater than 2.00% p.a. above its benchmark since inception.

Key contributors to absolute performance over the month:

- **OZ Minerals** outperformed on the back of receiving a take-over bid from BHP at a 32% premium to the stock's last close prior to the offer.
- **BHP** contributed after delivering a good, albeit in-line, FY22 result with a dividend which was better than the market feared, given some peers had delivered capital returns below market expectations. The solid result helped offset the impact of falling iron ore prices, though BHP's diverse exposure was a benefit with strong coking coal and resilient base metals prices providing some offset
- **Woodside Energy** outperformed, driven partly by rising oil and international gas prices as well as the company reporting strong interim results in line with market expectations.
- **Insignia Financial** outperformed during the month due to a more positive-than-expected guidance from the management team. Guidance was for continuing positive net funds inflows (before

pension payments) as well as holding the EBITDA margin despite ongoing modest FUA/FUM fee compression.

- **Telstra** outperformed, having announced a solid full year result led by the mobile division as it farewelled CEO Andy Penn and ushered in the Vicky Brady era.

Key detractors from absolute performance over the month:

- **Coles** underperformed in August. In its 2022 result, Coles downplayed the benefits from higher price inflation and also outlined higher costs to ramp up new distribution centres. This was disappointing to the market, however the pricing environment in supermarkets remains rational and Coles should be able to pass on price increases to customers.
- **Downer** underperformed on the back of the FY22 results announcement in which FY23 guidance did not meet consensus expectations. Our confidence in Downer remains high given the demand profile remains robust across the business with a strong bidding pipeline and opportunities to expand reach through decarbonisation capabilities.
- **Inghams** underperformed as the COVID impacts of Omicron on their operations were worse than expected. The company also guided that higher feed costs due to higher wheat prices will impact FY23 results.
- **Orora** underperformed in August, despite a slight beat to expectations, as margins are looking weaker. FY23 guidance for growth is positive as earnings are expected to be higher and sustainability goals are progressing well, thus our conviction remains high.
- **Stockland Group** underperformed after they updated the market that monthly enquiries and sales in its residential business fell sharply. Whilst FY23 expectations for settlements will likely still be met as they have enough presold to cover expectations, the concern is that FY24 settlements may be weak.

Top 10 Holdings

Security Name	% of Fund
BHP Group	7.75
Westpac Bank	6.92
ANZ Bank	6.16
Woodside Energy Group	5.11
Telstra	4.52
Rio Tinto	3.86
National Australia Bank	2.89
Coles Group	2.89
Woolworths Group	2.84
Aurizon Holdings	2.71

Fund Metrics

	Price to Earnings Ratio*	Forecast Dividend Yield (%)*
Fund	12.42	5.16%

Actual figures may vary. Forecasts are 12 months forward.
* Based on Broker Consensus forecast.

Franking Levels

Financial year ending		%
30 June 2021	(66% on income entitlements)	72.75
30 June 2020	(76% on income entitlements)	79.35
30 June 2019	(91% on income entitlements)	103.12
30 June 2018	(81% on income entitlements)	57.85
30 June 2017	(78% on income entitlements)	40.65
30 June 2016	(67% on income entitlements)	71.53
30 June 2015	(78% on income entitlements)	49.40

Market Commentary

The S&P/ASX 200 Accumulation Index returned 1.2% during the month. Australian equities outperformed global equities in August on the back of a resilient local reporting season. Global developed markets struggled in August as the rate tightening resolve from the US Federal Reserve dampened investor sentiment. In the major developed markets (in local currency terms), the DJ Euro Stoxx 50 returned -5.1%, the US S&P 500 returned -4.1% and the UK's FTSE 100 returned -1.1%. In contrast, Japan's Nikkei 225 returned 1.1%.

Monetary policy settings continued to tighten as the Reserve Bank of Australia (RBA) raised the cash rate target by another 50 bps, to 1.85% in August. The RBA expects further tightening in the process of normalising monetary conditions as they are committed to ensuring that inflation returns to the target range of 2-3%.

Domestic economic data releases in August were mixed. Employment unexpectedly fell by 40,900 positions in July, the first fall in nine months. The unemployment rate fell to a new record low of 3.4%, which was also below market expectations. The NAB Survey of Business Conditions strengthened by 6 points to 20 index points in July. Business confidence rebounded 5 points in July, to 7 index points. Retail sales were up 0.2% in June. CoreLogic's National Home Value Index recorded a fourth consecutive month of value declines, down 1.6% in August.

Sector returns were mixed in August. The best performing sectors were energy (7.8%), materials (4.4%) and communication services (2.5%). Industrials (1.2%) also outperformed the broader index. Consumer discretionary (0.9%), health care (0.4%), information technology (-0.1%), financials (-0.6%), utilities (-1.6%) and consumer staples (-1.8%) all underperformed the broader index. Real estate (-3.5%) was the worst performing sector.

The August reporting season played out largely as per our expectations, mirroring what was seen in the recent US reporting season. In aggregate the results were reasonably strong with beats outnumbering misses. Increased costs were a notable item, however higher costs are largely being passed on which has allowed margins to hold firm. As anticipated, companies were conservative in their outlook statements given pressures on wages and labour shortages, geopolitical uncertainty and rising interest rates. As a result, cuts to FY23 earnings estimates by the market gathered pace throughout results season, albeit not as dire as perhaps many feared.

ESG is incorporated into each and every valuation

Fund Objective

The Fund aims to provide a tax-effective income stream that exceeds the dividend yield of the S&P/ASX 200 Accumulation Index (grossed up for franking credits) by 2% p.a. over rolling five-year periods, before fees, expenses and tax, plus the potential for capital growth over the long term.

Key Facts

Responsible Entity
Yarra Investment Management Limited

APIR Code
TYN0038AU

Portfolio Manager
Michael Maughan, Mal Whitten

Asset Allocation**

Australian Shares	70% - 100%
International Shares	0% - 10%
Cash	0% - 20%

Minimum Investment
AUD 10,000 or platform nominated minimums

Buy/Sell Spread
0.20%/0.20%

Management Cost
0.85% p.a.

Distribution Frequency
Quarterly

Fund Size
AUD 149.30million

** The Fund does not currently hold any stocks defined as 'manufacturers of cigarettes and other tobacco products' by GICS (Global Industry Classification Standard).

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