



Product Review

Tyndall Australian Share Wholesale Fund

ISSUE DATE 06-10-2022

About this Review

ASSET CLASS REVIEWED	AUSTRALIAN EQUITIES
SECTOR REVIEWED	AUSTRALIAN LARGE CAP
SUB SECTOR REVIEWED	VALUE
TOTAL FUNDS RATED	25

About this Fund

ASIC RG240 CLASSIFIED	NO
FUND REVIEWED	TYNDALL AUSTRALIAN SHARE WHOLESale FUND
APIR CODE	TYN0028AU
PDS OBJECTIVE	TO OUTPERFORM THE S&P/ASX 200 ACCUMULATION INDEX BY 2.5% P.A. OVER ROLLING FIVE-YEAR PERIODS, BEFORE FEES, EXPENSES AND TAX
INTERNAL OBJECTIVE	AS PER PDS OBJECTIVE.
STATED RISK OBJECTIVE	THE FUND IS MANAGED TO A TARGETED TRACKING ERROR RANGE OF 2.0% TO 8.0% P.A.
DISTRIBUTION FREQUENCY	SEMI-ANNUALLY
FUND SIZE	\$602M (JULY 2022)
FUND INCEPTION	01-03-1995
MANAGEMENT COSTS	0.8% P.A.
RESPONSIBLE ENTITY	YARRA INVESTMENT MANAGEMENT LIMITED

About the Fund Manager

FUND MANAGER	YARRA CAPITAL MANAGEMENT LIMITED
OWNERSHIP	50% AUSTRALIAN EQUITY TEAM AND 50% YARRA CAPITAL MANAGEMENT GROUP
ASSETS MANAGED IN THIS SECTOR	\$10BN (JULY 2022)
YEARS MANAGING THIS ASSET CLASS	32

Investment Team

PORTFOLIO MANAGER	50% BRAD POTTER & 50% JASON KIM
INVESTMENT TEAM SIZE	12
INVESTMENT TEAM TURNOVER	LOW
STRUCTURE / LOCATION	PM - ANALYST/SYDNEY

Investment process

STYLE	VALUE
BENCHMARK	S&P/ASX 200 ACCUMULATION INDEX
TYPICAL CAPITALISATION BIAS	MID-TO-LARGE
TYPICAL STOCK NUMBERS	20-35
STOCK POSITION LIMITS	INDEX ± 6%
SECTOR POSITION LIMITS	INDEX ± 8%

Fund rating history

OCTOBER 2022	RECOMMENDED
SEPTEMBER 2021	RECOMMENDED
JULY 2020	RECOMMENDED

What this Rating means

The 'Recommended' rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

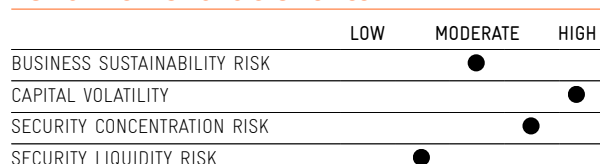
Strengths

- Tyndall has a disciplined and logical investment process, which is implemented by a highly experienced co-portfolio manager team.
- The well resourced team has exhibited notable stability, despite the recent change in ownership.
- Lonsec considers the team's investment culture to be cohesive and highly collegiate.

Weaknesses

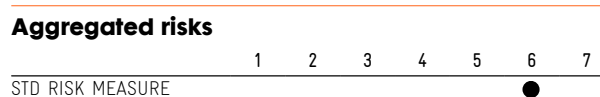
- Benchmark relative performance outcomes have been disappointing over the mid and long term, and the Fund has not met its performance objective. Albeit, it has improved significantly over the 12 months to 31 July 2022.
- With the tendency to 'let winners run', Tyndall's sell-discipline is considered to be less consistently driven by a stock's 'valuation' when compared to other 'value' style peers in the sub-sector.

Fund Risk Characteristics



Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

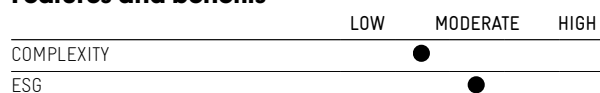
BIometrics



A Standard Risk Measure score of 6 equates to a Risk Label of 'High' and an estimated number of negative annual returns over any 20 year period of 4 to less than 6. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.



Features and benefits



We strongly recommend that potential investors read the product disclosure statement Lonsec Research Pty Ltd ABN 11 151 658 561 • AFSL No. 421 445 • This information must be read in conjunction with the warning, disclaimer, and disclosure at the end of this document. This report supersedes all prior reports.

ANALYST: ELLIOT LUCAS | APPROVED BY: RICHARD DALIDOWICZ

Tyndall Australian Share Wholesale Fund

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Fee profile

	LOW	MODERATE	HIGH
FEES VS. UNIVERSE		●	
FEES VS. ASSET CLASS	●		
FEES VS. SUB-SECTOR		●	

Fee BIOMETRICS are a function of expected total fee as a percentage of expected total return.

What is this Fund?

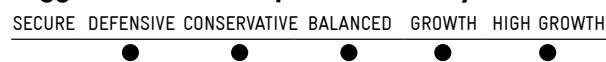
- The Tyndall AM Australian Share Wholesale Fund ('the Fund') is a long-only Australian equities investment vehicle offered by Yarra Capital Management Limited ('Yarra', 'YCM' or 'the Manager'). Yarra use the brand name Tyndall Asset Management ('Tyndall' or 'the Team'), to describe the investment team within the Yarra Group that manages this Fund. Tyndall has a long-standing 'relative value' fundamental investment approach, which aims to invest in companies below the Team's conservative estimation of 'intrinsic value'
- Companies that meet the Team's initial screens are ranked according to total expected return, which gives an indication of which companies represent the highest relative value at any given point in the market cycle. Lonsec believes Tyndall takes a more flexible approach to 'value' investing and, as a result, the Team's style is not expected to be at the 'deep end' of the value-style spectrum relative to some peers. The Fund may more closely resemble a 'core' style at various times.
- The capability results in a high conviction, relatively concentrated portfolio of typically 20-35 stocks. The Team aims to be fully invested across the market cycle while the Fund's tracking error typically ranges between 2.0% and 8.0% p.a.
- As per the Fund's PDS dated 2 February 2022, the fee disclosure for the Fund is a management cost of 0.80% p.a. Lonsec notes that this is attractive relative to the broader peer group and the Fund's own offering (actively managed, concentrated).
- During the financial year ended 30 June 2022, estimated net transaction costs as a percentage of the Fund's Net Asset Value were nil (the Fund recovered all transaction costs from the buy/sell spread). Net transaction costs are costs incurred in managing the fund (including explicit and implicit costs of buying and selling assets, the cost of hedging/protection strategies and/ or when there are applications or redemptions of fund units by investors) that are not covered by the buy/sell spread. Buy/sell spreads are subject to change depending on market conditions. Refer to the Manager for current buy/sell spreads.
- Lonsec notes Tyndall has two other strategies as part of its Australian Equities product suite. The other two are:
 - The Tyndall AM Australian Share Income Fund, which has a yield objective and is more diversified than the Fund, holding 40-70 stocks.
 - The Tyndall AM Australian Share Value (Ex-20) Model Portfolio, which is focused on best ideas ex-20 and is the Team's most concentrated strategy, holding just 10-15 stocks.

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- Lonsec notes that the Manager has produced a Target Market Determination (TMD) which forms part of its design and distribution arrangements for the Fund. Lonsec has sighted the TMD that has been provided by the Manager and notes that this should be referred to for further details on the Target Market Summary, Description of Target Market and Review Triggers.
- The Fund is a long-only Australian equity product which will be predominately fully invested in the Australian equity market. As such the Fund will generally sit within the growth component of a diversified investment portfolio. As a 'relative value' style product, Lonsec considers it suitable for blending with other Australian Equity strategies including style-biased funds, Small Cap, Long / Short, or Absolute Return products.
- The Fund is subject to equity market risks and movements (both positive and negative) in the prices of the underlying securities in the portfolio. Potential investors should therefore be aware of, and comfortable with, the potential for the Fund to experience periods of negative absolute returns which may result in capital losses being incurred on their investment. Lonsec recommends that equity investments are suitable for investors with an investment time horizon of at least five years.

Suggested Lonsec risk profile suitability



For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- Tyndall is planning to launch a small-cap strategy in late 2022, to be managed by James Nguyen and Tim Johnston. Nguyen is the small caps lead on this Fund.
- Tyndall closed its Australian Share Concentrated Fund in early 2022, though continues to run the strategy itself.
- Tyndall hired a trainee investment analyst in January 2022, Lillie Greiner.
- Lonsec has not been advised of any material changes to the investment team or to investment process since the previous review.

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Lonsec Opinion of this Fund

People and resources

- Brad Potter assumed leadership of the Tyndall investment team in June 2014 as Head of Australian Equities. Potter has over 27 years of investment experience and 19 years of tenure with Nikko/Tyndall. Previously, Potter worked at Westpac as a Director – Corporate Finance and at Ord Minnett as a Senior Research Analyst. Tyndall's operating model sees all senior investors having not only portfolio management but also research responsibilities. Potter has analyst responsibilities for the Banking sector. Lonsec has had numerous interactions with Potter over the years and considers him to be a capable investment professional. Potter is one of the two portfolio managers responsible for the Fund.
- Potter is supported by Johnston as the Deputy Head. Johnston began his investment career of 23 years with Nikko/Tyndall and Lonsec considers him a highly experienced investor. Apart from being Deputy Head, Johnston also has analyst responsibilities for the Healthcare, Agriculture, and Energy sectors. Lonsec is impressed with Johnston's stock knowledge and ability to articulate the investment process. Lonsec believes he is a capable investor and deputy.
- Jason Kim joins Potter as a Portfolio Manager for the Fund. Kim is a highly experienced investor with 29 years of investment experience and 21 years of tenure. Kim joined the Fund as a portfolio manager in May 2014 and continues as a co-manager for Tyndall's concentrated strategy (though Lonsec notes the Concentrated Fund has closed) along with covering the Insurance sector. Lonsec has found Kim to be an articulate investor and considers him to be highly capable and passionate. Lonsec is mindful of Kim's portfolio management load but notes that both strategies have a high degree of crossover.
- Potter and Kim each have sole discretion for the management of 50% of the Fund's capital and this structure is a common feature of Tyndall's portfolios. (although the proportions may vary). Common stock holdings are very high at circa 95% and key differences relate to position sizing and the timing of buy/sell decisions. Lonsec was advised that, over the long term, performance outcomes have been similar. A benefit of this structure is its ability to help mitigate key person risk although given the significant proportions for which Potter and Kim are each responsible this is to a degree moot. Despite the existence of individual responsibility, Lonsec notes that Tyndall has a collegiate structure and the portfolio managers are actively encouraged to discuss portfolio activity ahead of implementing any changes. Nonetheless, Lonsec notes that co-portfolio manager structures can dilute individual accountability to some extent as the relative performance of the two sub-portfolios is not disclosed to investors.
- The investment team of 11 investors and an additional dedicated dealer is considered appropriately sized to implement the investment process. Lonsec highlights the Team has exhibited a high degree of stability. The investment experience levels across the Team are high with an average of 20 years and an average tenure of 14 years.

- Lonsec considers communication and peer review amongst the investment team to be highly structured and robust. All team members meet multiple times throughout the week to debate and peer review stock research ideas in addition to discussing portfolio construction and broader market matters. Lonsec also considers the investment team demonstrates a high degree of collaboration relative to peers and views this favourably.
- Lonsec believes that an important factor in the stability of the Team has been the opportunity for equity ownership in the franchise. Specifically, the Australian Equities business is structured as a joint venture between the investment team and Yarra. Pleasingly, Lonsec notes the high alignment of interest between the investment team and investors with all members of the Team being equity holders. While the equity ownership structure is not unique, the breadth of the spread of equity across the Team is viewed by Lonsec to be a positive and distinguishing feature of the remuneration structure. Further, variable remuneration is based on individual performance which holds all team members accountable.
- Lonsec has been advised by Yarra that its acquisition will have no impact on the Tyndall Australian equities team and all of its investment capabilities will maintain their current levels of autonomy. Ownership changes can be unsettling for investment team members and in particular for senior team members, though Lonsec is pleased to note that since the acquisition occurred in April 2021, the Team has remained stable.

Research and portfolio construction

- Tyndall seeks to identify companies that it believes exhibit fundamental intrinsic value. The philosophy gravitates towards companies that demonstrate sustainable earnings and which can capitalise on these. Tyndall describes its philosophy as 'value' but notes that this does not necessarily mean 'cheap' value as understood from stocks trading at observable discounts (e.g. P/E or P/B) to the broader market or their history. To this end, there is an explicit cap of between four and eight years, depending on the opportunity, applying to the maximum length for which a company's franchise period will be explicitly modelled. Lonsec highlights that the characteristics sought by Tyndall, at a high level, are somewhat more consistent with growth at reasonable price ('GARP') investing. Notwithstanding, elements within Tyndall's process act to control factor exposures and deliver a strategy that has exhibited 'mild value' through to more 'core' outcomes over time.
- Lonsec considers the Team's investment process and portfolio construction to be robust and logical. The initial investment universe of the S&P/ASX 200 Accumulation Index is reduced to approximately 150 stocks after a liquidity screen is applied. To prioritise the fundamental research effort, the Team then implements an internally generated multi-factor screen to rank companies by value, quality and combined scores before conducting the bottom-up research effort.

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- Analysts are accountable for their recommendations but, importantly, these are required to be peer-reviewed by the whole team. Company research includes, for instance, meeting with company management and reviewing financial disclosures. Findings are presented in a standardised report which touches on key investment factors like thesis, assumptions, risks, sensitivities, Environment, Social, and Governance (ESG) and valuation. Lonsec generally views standardised outputs as good practice helping to support consistency in an investment process.
- ESG considerations are formally incorporated into the valuation process at the stock level. This can be undertaken via a discrete estimate of the earnings impact or alternatively via a discount to the capitalisation rate. This is based on the belief that this analysis provides added insights and early signals on the 'sustainability' of returns. ESG research comes from multiple sources, including proprietary research, company information and external research providers such as MSCI.
- The investment team meets on a regular basis each week to discuss the positions in each of the portfolios and to assess fresh investment ideas. Moreover, the meeting also includes in-depth discussions regarding the key quantitative inputs used in the stock valuation process. Lonsec believes this mechanism is a key strength of the investment process as it enhances the overall level of peer review.
- Tyndall's financial analysis involves proprietary modelling of variables across the income and cash flow statements in addition to the balance sheet. Valuation analysis is based on a standardised Internal Rate of Return (IRR) model which has a three-year horizon. This can be cross-checked to a DCF analysis which is where the duration of a company's franchise period is explicitly curtailed. Lonsec considers that Tyndall's valuation approach is reasonable and consistently applied.
- IRRs are ranked and the general aim is to invest in those companies with the greatest return profile. Portfolio construction is also largely consistent with the output of the 'Comparative Value Analysis' (CVA). Portfolio managers are, however, permitted to continue to hold names that drop in the IRR ranks (i.e. through price appreciation) and no longer rank highly. Tyndall's rationale is that this is consistent with its belief of allowing 'winning stocks to run'. Moreover, Tyndall highlights that it believes 'value' managers generally sell too early. Lonsec is sympathetic to Tyndall's argument, however, believes that is also indicative of Tyndall's flexible relative valuation methodology, potentially holding 'expensive' names, which is not wholly considered by Lonsec to be consistent with 'value' investing. Value investors are typically valuation driven and price-sensitive hence the general observation that they may sell too early.
- The portfolio managers each have sole discretion, subject to names having progressed through the investment process, to build their respective sub-portfolios. Importantly, trade ideas are typically discussed between the two and Lonsec believes that this, to a degree, supports the management of the Fund as an aggregate portfolio. Further helping

in this regard, the portfolio managers also have access to a range of quantitative risk tools which are used to actively monitor factor exposures at the aggregate Fund level. Additionally, there will be some differences across the sub-portfolios however these are expected to be timing and valuation-related rather than fundamental disagreements on a company's fundamentals.

- Notably the Fund's active share has fallen to around 49%, from a prior average of roughly 60-65%. This is a notable drop, and meaningful considering the Fund's highly concentrated profile of 20 to 35 holdings. Lonsec will monitor this in future reviews to ensure the fund is positioned to deliver on its objectives.

ESG Integration

- Lonsec's ESG integration assessment considers how rigorous, robust and structured the ESG process for the Fund is as well as how well it integrates into the overall investment process and the Manager's overall policy and reporting framework. The assessment is not intended to assess the underlying holdings of the Fund's portfolio or the Manager's adherence to any form of impact, green / sustainable or ethical standards.
- At the overall corporate level Lonsec views Yarra's overall ESG framework as behind peers. Yarra has articulated a commitment to the integration of ESG within their investment process, however there is limited evidence in their public positioning. The ESG policy is freely available on the firm's website, with the overall strength of the policy framework seen as adequate but weaker than leading peers. Yarra self identifies as implementing what Lonsec would classify as a "minimum standards" approach. A "minimum standards" approach requires Yarra to undertake detailed ESG analyses on a company and then removes from the investment opportunity set those that do not meet a specific threshold. This approach is likely most aligned to investors understanding of what ESG involves, however, care needs to be taken in articulating the scoring and definition of the threshold. Lonsec also notes that the Yarra does not provide any details on engagement outcomes or policy.
- Lonsec believes Tyndall's overall ESG application at the operational level to be in line with current industry practices. While Tyndall is sourcing data from an external ESG data provider it is incorporated in a less thorough manner than some peers. Lonsec notes Tyndall are in the process of implementing a heat map and ESG scorecard for companies. There is clear evidence of ESG integration within the research elements of the investment process. Research efforts are incorporated into the analyst workflow and impact portfolio construction through Tyndall's DCF models. Portfolio monitoring for aggregated ESG risks is evident but light.
- Note that Tyndall's "risk/value" approach may mean that poor ESG companies may be included if the return potential is sufficient and this may conflict with some clients perception of what a strong ESG process would deliver.
- Tyndall have indicated that their Responsible Investment style is "ESG Integration" and as such that they take Environmental, Social and Governance

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factors into consideration when assessing investment opportunities. Note that such an approach does not automatically ensure that the resulting portfolio will adhere to any particular structure or provide any particular level of ethicalness, greenness or sustainability.

Risk management

- The Fund's risk is managed in a relative sense versus the benchmark. Lonsec believes that the Team has sufficient risk controls in place to effectively manage the risks within the portfolio (such as stock and sector exposures). These are overseen by a dedicated Investment Risk Manager. Given the Fund is relatively concentrated in the number of stocks it holds, Lonsec views risk management as a vital element of the investment process.
- The Team has hard limits on both stock and sector exposures. Stock limits are managed to Index $\pm 6\%$ for active positions, tending to be scaled down from the 6% maximum according to stock size and liquidity. Sector limits are managed to a constraint of Index $\pm 8\%$. The Team will also typically not hold over 10% of a company's issued capital and will generally invest only in companies with a market capitalisation greater than \$300 million.
- Whilst not explicitly targeted, the Team also aims for a portfolio beta of not much higher than the overall market, so as to manage the level of absolute risk in the portfolio.
- Risk management, to a lesser extent, is also embedded in the research process, with optimisation and 'scenario analysis' undertaken as part of portfolio construction. In addition, the Team's ongoing portfolio review process (including daily performance monitoring) may be considered as a further form of risk management.

Funds under management (FUM)

- Tyndall had approximately \$10 billion in FUM across its Australian equities strategies as at 31 July 2022. Tyndall's most recent capacity analysis was conducted in June 2021 and determined that a hard close would be appropriate at 0.75% of the S&P/ASX200 market capitalisation (currently equivalent to c. \$16 billion). Based on current FUM and market size, a soft close would occur at approximately \$14 billion.
- There are positives and negatives to low or high levels of FUM; however, on balance Lonsec believes managers with smaller FUM are better placed to add value. Larger fund managers typically have better access to key decision-makers (e.g. CEOs) and may gain better execution pricing and preferential access to IPOs and secondary offerings. Conversely, managing a large pool of money means that a manager may confront liquidity issues and is likely to be less nimble in the market as it takes longer for a position to be established or sold down.
- Lonsec views the Fund's current level of assets, benchmark aware approach, mid-large market cap bias and relatively low portfolio turnover as mitigating factors to capacity constraints risk. That said, Lonsec will continue to monitor Tyndall's scale in FUM and assess the ongoing impact on Fund performance.

Performance

- The Fund aims to outperform the S&P/ASX 200 Accumulation Index ('the Benchmark') by 2.5% p.a. (gross fees) over rolling five-year periods. Performance figures are referenced on a net of fees basis.
- Over the five-years to 31 July 2022, the Fund returned 4.8% p.a. and underperformed the Benchmark and peer group median by 3.2% p.a. and 1.8% p.a., respectively. The Fund has therefore not met its investment objective. Over the three years to 31 July 2022, the Fund returned 4.1% p.a. and underperformed the Benchmark and peer group median by 0.2% p.a. and 1.1% p.a., respectively. Lonsec recognises that the Fund's Value orientation was a headwind to performance over this period which favoured growth stocks, but views Tyndall's style consistency favourably.
- Over the shorter one-year period to 31 July 2022, the Fund returned 2.5% and pleasingly, outperformed the Benchmark strongly by 4.7% and Lonsec's peer group median by 0.7%. This is consistent with the Fund's consistent value style, which enabled it to benefit from the significant value rotation over this period. The Fund's outperformance was driven by good stock selection in a range of stocks. Key contributors include positions in Woodside, Wesfarmers and Crown Ltd. Key detractors from performance include positions in 29Metals Ltd, Commonwealth Bank and Insignia.
- The Fund's Tracking Error has been within the Fund's expected 2%-8% p.a. range over all periods to 31 July 2022, and averaged 6.6% p.a. over the five-year period. The Fund's risk-adjusted returns, as measured by the Sharpe Ratio, have been weaker than the median manager in the peer group over all periods except the last 12 months to 31 July 2022. The Fund also generated returns with relatively lower outperformance consistency (<50%) in down markets versus up markets over the five year period to 31 July 2022.
- Over the strategy's lifetime, it has never achieved its investment objective to achieve a return of 2.5% p.a. above the ASX 200 index over a rolling 5 year period. However, Lonsec notes positively that over 20 years, the fund has outperformed the benchmark by 1% p.a. showing the ability to produce consistent outperformance over a long-term investment horizon.

Overall

- Lonsec has maintained the Fund's 'Recommended' rating at its most recent review. The rating is underpinned by the Team's experienced investment team along with its longstanding disciplined and logical investment process.
- However, Lonsec is mindful of the Team's flexible relative valuation methodology which could challenge the sell-discipline. Lonsec is cognisant of the Fund's disappointing benchmark relative performance over the mid and long term, but highlights the strong outperformance over the last 12 months to 31 July 2022. Lonsec notes the change in ownership to Yarra Capital Management Group in 2021 may have an unsettling impact on the Team's

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investment team. At this stage, the ownership change appears to have been managed well.

People and Resources

Corporate overview

Yarra Capital Management Group acquired the Nikko AM Australia business, effective 12 April 2021. Yarra is a privately owned and established funds management business based in Melbourne. The combined FUM of the enlarged group is circa \$21 billion and Tyndall Asset Management is responsible for \$10 billion in Australian equities, as at July 2022.

In April 2021, Yarra Capital Management acquired Nikko Asset Management (Nikko AM) Australia. Yarra manages approximately \$21 billion of funds under management (FUM) across equities, fixed income and multi-asset strategies. Investment team functions will run as largely separate entities but share back-office services from the YCM group. Tyndall Asset Management is the brand name for the investment team within the Yarra Group that manages the Fund

Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
BRAD POTTER	HEAD OF AUSTRALIAN EQUITIES	27 / 19
TIM JOHNSTON	DEPUTY HEAD OF AUSTRALIAN EQUITIES, PORTFOLIO MANAGER & SENIOR ANALYST	23 / 23
JASON KIM	PORTFOLIO MANAGER & SENIOR ANALYST	29 / 21
MALCOLM WHITTEN	PORTFOLIO MANAGER & SENIOR ANALYST	30 / 28
MICHAEL MAUGHAN	PORTFOLIO MANAGER & SENIOR ANALYST	23 / 14
CRAIG YOUNG	SENIOR RESEARCH ANALYST	26 / 26
MICHAEL WARD	SENIOR RESEARCH ANALYST	24 / 5
STEFAN HANSEN	SENIOR RESEARCH ANALYST	13 / 5
JAMES NGUYEN	PORTFOLIO MANAGER & SENIOR ANALYST	17 / 13
VINCENT LI	RESEARCH ANALYST	8 / 5
LILLIE GREINER	RESEARCH ANALYST	<1 / <1
DAVID THOMS	DEALER	16 / 10
AVERAGE	-	20 / 14

The Team is led by Brad Potter, with Tim Johnston being his back-up as Deputy Head of Equities. The investment team comprises 10 equity investors and one dealer. All members of the investment team have stock research responsibilities (c. 15 to 20 stocks each) and six of the most senior members have additional portfolio management duties. The specific responsibilities are as follows for the Team:

- Brad Potter – Banks;
- Tim Johnston – Healthcare, Energy;
- Jason Kim – Insurance;
- Michael Maughan – Telecommunications, Transportation/Logistics;

- Craig Young – Banks, Retail and Food & Beverage, Telecommunications;
- James Nguyen – Diversified Financials, Gaming and Utilities, Infrastructure;
- Michael Ward – Building Materials, Contractors, Metals,
- Stefan Hansen – Mining, Energy;
- Vincent Li – A-REITS, Industrials; and
- David Thoms and Malcolm Whitten – Dealing.

Remuneration / alignment of interests

The remuneration principle is to pay a market salary plus attractive short-term incentives (plus long-term incentives via shares in the Joint Venture Company). All investment personnel in the Australian Equities team retain equity ownership. This serves the purpose of providing the investment team with access to profit sharing. Lonsec notes that equity can only be on-sold to another member of the equities team. In addition, there are financial penalties if a team member joins a competitor.

Variable remuneration is based primarily on the overall outperformance achieved by the Fund, team and individual. Bonuses (which are based on rolling two year performance) are adjusted positively or negatively at the analyst level to reflect individual performance contributions. To facilitate this, the Team uses an internal analyst attribution model, which monitors performance on one and two year rolling periods.

Research Approach

Overview

INVESTMENT STYLE	INTRINSIC VALUE (CONCENTRATED)
NO. OF STOCKS IN UNIVERSE	200 (S&P/ASX 200 ACCUMULATION INDEX)
NO. OF STOCKS FULLY MODELED	150
UNIVERSE FILTERING	LIQUIDITY SCREEN: 90-DAY MEDIAN DAILY TURNOVER
RESEARCH INPUTS	FUNDAMENTAL RESEARCH – FINANCIAL STATEMENTS, COMPANY MEETINGS, ETC.
USE OF BROKER RESEARCH	CONSENSUS EARNINGS USED FOR SCREENING
VALUATION OVERVIEW	PE RELATIVE WITH DCF CROSS CHECK

Tyndall seeks to identify companies that it believes exhibit fundamental intrinsic value. The philosophy gravitates towards companies that demonstrate sustainable earnings and which can capitalise these.

The Team operates a research process referred to as Comparative Value Analysis (CVA). Those stocks remaining after the screening process (approximately 150) are then subjected to in-depth fundamental research.

The universe for idea generation comprises all names in the S&P/ASX 200 Index. Research is prioritised through the use of proprietary quantitative screens that screen/rank based on a range of criteria (liquidity, value, quality and momentum):

- Value (forecast one year);
- Price/Earnings;
- Dividend Yield;
- Enterprise Value multiples;
- Accounting Accruals;

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- Retained Earnings/Assets; and
- EBIT/Total Assets.

Those names which screen well are candidates for further fundamental due diligence and research.

This typically numbers c. 130 names. The Team's fundamental research has a focus on EBIT drivers, profitability, cash flow and the structure of the company's balance sheet (to try and find value in non-capitalised assets).

The key inputs into the research process include broker reports; company reports; company visits; 'one on one' meetings with management; and other sources.

Research output is standardised. Additionally, the research is updated on an ongoing basis, with the Team producing forecasts for P&L statements, Balance Sheets, Cash Flow Statements, as well as Ratio Analysis. Proprietary stock models are generally revisited bi-annually (when company results are released) and when warranted by a specific event. This includes the calculation of a three year internal rate of return (IRR) for each stock.

All research is subject to team-wide peer review before being completed. Peer review is facilitated through regular analyst meetings held three times per week. Additionally, the Team conducts Portfolio Construction Meetings each week which provide a 'sounding board' for the Portfolio Managers which is attended by all team members.

Valuation

The formulation of a three-year IRR is a requirement for all stocks considered within Tyndall's investment process. The IRR ranks are a key factor driving a stock's relative attractiveness within Tyndall's process.

To enhance the consistency of the valuation output, the Team utilises standardised inputs (such as beta, risk-free rate of return and gearing) when calculating the weighted average cost of capital for its discounted cash flow models.

Additionally, stock valuations can be cross checked against an alternative valuation model, usually a DCF, and adjusted for significant developments (such as acquisitions). Other valuation metrics considered include: earnings per share (EPS), dividends per share (DPS) and grossed up dividend yield (GUDY).

Portfolio Construction

Overview

FUND BENCHMARK	S&P/ASX 200 ACCUMULATION INDEX
RETURN OBJECTIVE (INTERNAL)	TO OUTPERFORM THE S&P/ASX 200 ACCUMULATION INDEX BY 2.5% P.A. OVER ROLLING FIVE-YEAR PERIODS, BEFORE FEES, EXPENSES AND TAX.
RISK OBJECTIVE (INTERNAL)	THE FUND IS MANAGED TO A TARGETED TRACKING ERROR RANGE OF 2.0% TO 8.0% P.A.
PORTFOLIO APPROACH	BENCHMARK AWARE
PORTFOLIO DECISIONS	BRAD POTTER & JASON KIM (50/50)
STOCK SELECTION	>90%
TOP-DOWN INFLUENCE	<10%
TYPICAL NUMBER OF HOLDINGS	20-35
MARKET CAPITALISATION BIAS	MID-TO-LARGE
EXPECTED PORTFOLIO TURNOVER	40-80% P.A. (TYPICALLY C. 55%)
OBSERVED ACTIVE SHARE	48.7% (JULY 2022)
PORTFOLIO EXPOSURE IN TOP 10 HOLDINGS	55.7% (JULY 2022)

The Team generally aims to produce a concentrated portfolio of 20-35 stocks, tending to more greatly favour idiosyncratic/stock-specific risks relative to factor risks (e.g. style). The Fund comprises of two sub-portfolios which are separately managed by two different Portfolio Managers.

The portfolio construction process is driven by a combination of qualitative and quantitative factors and the portfolio will generally be highly consistent with the stocks that rate highly in the Team's IRR stock ranking list.

The qualitative element of the process allows the Team to factor in market dynamics and insight gained from bottom-up analysis in constructing the portfolio. There is no general IRR which is considered particularly attractive (e.g. minimum acceptable hurdle) with the Team noting this depends on the prevailing market opportunities.

This also encompasses the use of a potential discretionary element, which allows the Portfolio Manager to hold up to 7.5% of the portfolio in stocks that do not rank highly on IRR terms. The Team's rationale for this component is that it allows 'winning' stocks to 'run', believing that a trap which other value managers sometimes fall into is to sell down profitable positions too early.

Additionally, this flexibility is further included in the acceptance that the three-year IRR method may miss alpha opportunities in special circumstances (e.g. corporate targets, thematic shifts, successful acquirers, capital raisings and a quick response to changed fundamentals).

Importantly, however, Portfolio Managers must also determine milestones for the performance of these stocks and if they are not met, they are forced to reconsider the position at the Portfolio Construction meetings. In addition, such a position will also be reviewed should it start underperforming the market on a quarterly basis. So far, Lonsec understands that the Team's usage of this discretionary element has been relatively minor to date.

BARRA is used as a quantitative tool in the portfolio construction process. The Team believes it is particularly useful to both help assess the risks within the portfolio and for portfolio optimisation. The optimisation process is based on an efficient frontier of expected Tracking Error and expected Excess Return.

Price and earnings momentum are also considered in the portfolio construction process, with the primary objective being to optimally time stock entries and exits. Price and earnings momentum signals are also used to help identify potential 'value traps'.

The portfolio is 'stress tested' monthly through scenario analysis that allows the Team to test the portfolio against potential market events.

Finally, the portfolio is assessed against value criteria to ensure that it is 'true to label' (e.g. idiosyncratic stock risk is driving the portfolio). The Team relies on both BARRA output for this assessment and on its internal software.

Once implemented the portfolio is subject to ongoing review, with key 'flags' (such as a new stock entering the Top 20 IRR ranking, the stock weighting deviating more than 30% from the model portfolio target, or the

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stock closing in on 'fair value') used as triggers for investigation.

Risk Management

Risk limits

SEPARATE INVESTMENT RISK MONITORING	YES
EX-ANTE TRACKING ERROR TARGET	2.0-5.0% P.A. (MAX 8.0% P.A.)
STOCK LIMIT (HARD)	INDEX ± 6%
SECTOR LIMIT (HARD)	INDEX ± 8%
CASH LIMIT	MAXIMUM 10%

The Portfolio Managers will build a relatively concentrated portfolio of between 20-35 stocks, within specified portfolio risk guidelines outlined above.

Risk monitoring

All of the Fund's trades are monitored on a pre- and post-trade basis and its stock positions are also monitored on a daily basis. There is also a clear separation of duties between investment management and risk management, with compliance reports sent out on a daily basis to all Portfolio Managers, the dealer, the Head of Australian Equities and a separate compliance team.

Risks

An investment in the Fund carries a number of standard investment risks associated with investment markets. These include performance, liquidity, counterparty, market and tax risks. These and other risks are outlined in the PDS and should be read in full and understood by potential investors. Lonsec considers the following to be the major risks:

Concentration risk

The Fund will be generally invested in 20 to 35 different stocks and does not have any sector or country constraints. The Team is expected to build a portfolio that may vary markedly from the benchmark (e.g. concentration risk and/or sector or industry exposures). Accordingly, investors should be mindful of the potential for sharper movements in the market price of these movements.

Equity market

Investments in equity markets are subject to numerous factors which may have an impact on the performance of an investment (both positive and negative). Unexpected changes in economic, technological, structural, regulatory or political conditions can have an impact on the returns of all investments within a particular market.

Derivatives

There is scope in the PDS to implement various derivative strategies. However, Lonsec does not expect derivatives to be a widely used given that these are not the intentions of the Team. Derivatives are not intended to be used to speculate and the Fund does not intend to borrow.

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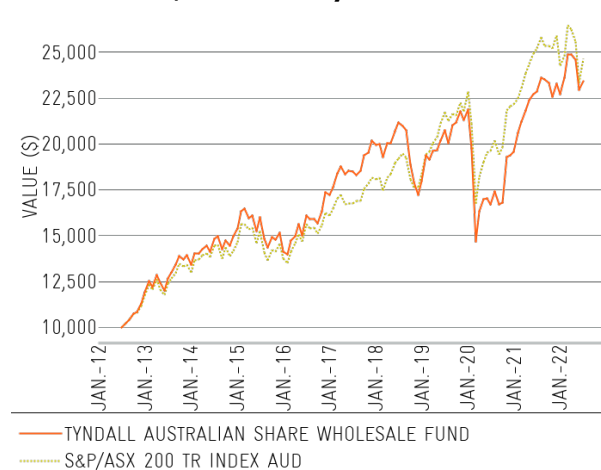
Quantitative Performance Analysis - annualised after-fee % returns (at 31-7-2022)

Performance metrics

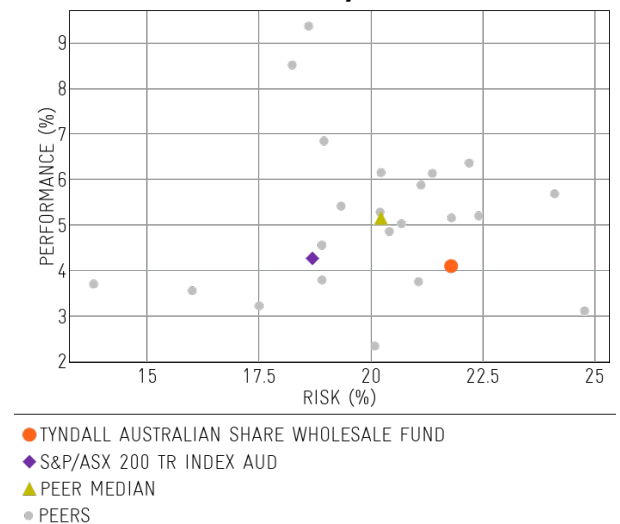
	1 YR		3 YR		5 YR		10 YR	
	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN
PERFORMANCE (% PA)	2.50	1.76	4.10	5.16	4.83	6.66	8.88	9.57
STANDARD DEVIATION (% PA)	11.92	14.62	21.79	20.23	18.49	16.59	15.58	14.05
EXCESS RETURN (% PA)	4.66	4.00	-0.17	0.73	-3.20	-1.43	-0.56	0.15
OUTPERFORMANCE RATIO (% PA)	66.67	58.33	50.00	50.00	45.00	43.33	53.33	48.33
WORST DRAWDOWN (%)	-7.84	-10.37	-32.88	-29.33	-32.88	-29.70	-32.88	-29.33
TIME TO RECOVERY (MTHS)	NR	NR	14	11	14	14	14	11
SHARPE RATIO	0.19	0.12	0.17	0.22	0.21	0.34	0.46	0.56
INFORMATION RATIO	0.63	0.91	-0.02	0.14	-0.49	-0.26	-0.11	0.03
TRACKING ERROR (% PA)	7.45	6.59	7.36	5.86	6.57	5.16	5.06	4.36

PRODUCT: TYNDALL AUSTRALIAN SHARE WHOLESALE FUND
 LONSEC PEER GROUP: AUSTRALIAN EQUITIES - AUSTRALIAN LARGE CAP - VALUE
 PRODUCT BENCHMARK: S&P/ASX 200 TR INDEX AUD
 CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD
 TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

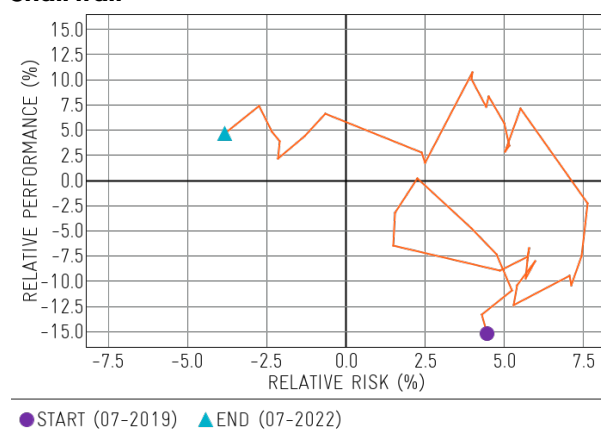
Growth of \$10,000 over 10 years



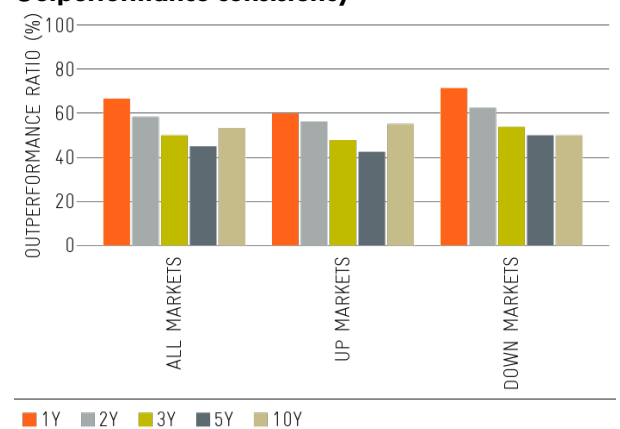
Risk-return chart over three years



Snail trail



Outperformance consistency



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Glossary

Total return ‘Top line’ actual return, after fees
Excess return Return in excess of the benchmark return
Standard deviation Volatility of monthly Absolute Returns
Tracking error Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)
Sharpe ratio Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)
Information ratio Relative reward for relative risk taken (Excess Returns / Tracking Error)
Worst drawdown The worst cumulative loss (‘peak to trough’) experienced over the period assessed
Time to recovery The number of months taken to recover the Worst Drawdown
Snail Trail A trailing 12-month relative performance and relative risk measurement over the benchmark. The trail is generated using a 12-month rolling window over the specified period

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