Zenith INVESTMENT PARTNERS

RECOMMENDED

Product Assessment

Tyndall Australian Share Income Fund

Report data as at 31 May 2022
Rating issued on 30 Jun 2022

APIR Code
TYN0038AU

Asset / Sub-Asset Class
Australian Shares
Equity Income

Investment Style
Derivative Overlay

Investment Objective
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 while providing long-term capital growth over the same time period.

Zenith Assigned Benchmark
S&P/ASX 300 (Accum)

Net Returns (% p.a.)

	5 yrs	3 yrs	1 yr
Fund	6.24	6.62	7.79
Benchmark	8.98	8.02	4.72
Median	6.81	6.64	7.23

Income (% p.a.)

	Income	Total
FY to 30 Jun 2021	4.84	28.62
FY to 30 Jun 2020	4.35	-13.19
FY to 30 Jun 2019	7.66	4.83

Fees (% p.a., Incl. GST)
Management Cost: 0.85%
Performance Fee: N/A

VIEWPOINT

The Fund, managed by Tyndall Asset Management (Tyndall), offers investors an income-focused exposure to Australian equities. Tyndall has the flexibility to utilise derivative strategies for tax management and to enhance the Fund's level of income. Zenith believes that the combination of an experienced investment team and a well-structured investment process presents an attractive offering for investors.

Tyndall Asset Management (Tyndall) is a wholly-owned subsidiary of Yarra Capital Management (Yarra), a Melbourne-based boutique fund manager that offers a broad range of active strategies spanning Australian equities and fixed income. In April 2021, Yarra completed the acquisition of Nikko Asset Management's (Nikko) Australian business, which included Tyndall (formerly Nikko Asset Management Australia). Nikko retained a 20% stake in Yarra. Yarra, Nikko and Tyndall share administrative support functions including capital, financial, systems and human resources, which we view positively, as it allows the investment team to focus on research and portfolio management efforts.

The Australian equities team of 11, led by Brad Potter, is located within Tyndall's Sydney-based office. Zenith considers Potter to be a high-quality investor, with the requisite expertise to lead the team. In addition, we believe the investment team is well resourced and highly incentivised through a profit share arrangement in the business unit.

The Fund is managed by Malcolm Whitten and Michael Maughan under a 50/50 dual portfolio manager structure. Prior to July 2016, Whitten managed 80% of the Fund, whilst Maughan managed the remaining 20%. Zenith rates both portfolio managers highly, based on their level of industry experience and performance track record to date.

Tyndall believes markets are inefficient and aims to exploit these inefficiencies through the application of its proprietary relative valuation framework, which incorporates a comprehensive assessment of company financials coupled with a rigorous visitation program.

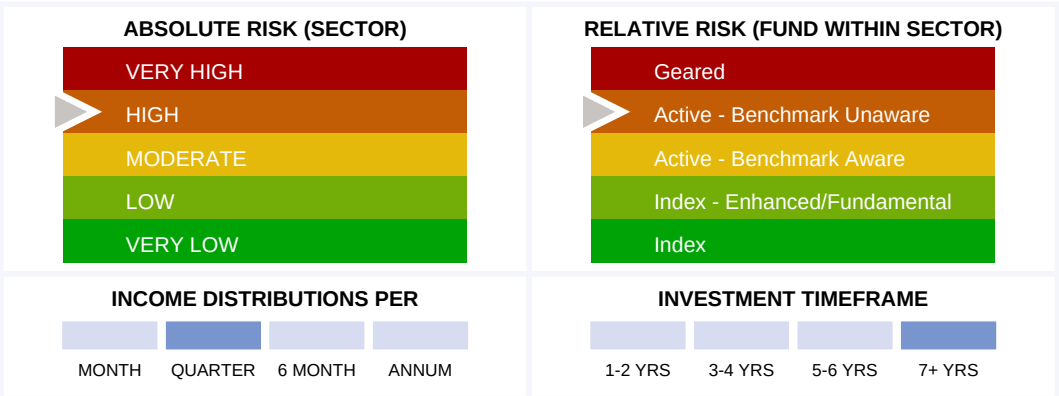
A standard set of macroeconomic assumptions is employed in all models to ensure consistency throughout the process. These assumptions include currency, commodity and interest rate inputs. The research process culminates in the derivation of a three-year internal rate of return (IRR) for each stock. Zenith believes the stock selection process employed by the team is robust and in-depth, providing a strong input into the portfolio construction process.

The two portfolio managers construct separate sub-portfolios from a shortlist of stock opportunities that are ranked according to their respective IRRs and dividend yields. Whitten and Maughan will generally select stocks with high grossed-up dividend yields and high IRRs. The result is a portfolio that focuses on income and capital growth without regard to Tracking Error. In general, Zenith views dual portfolio manager structures to be a less efficient approach to portfolio management, as it can result in portfolios with a longer tail of small holdings and has the potential to result in opposing views being held within the Fund.

Given the Fund's income investment objectives, it may display significant sectoral biases. Tyndall also has the ability to use options to generate additional income, manage tax and manage risk. Options are generally only used in an opportunistic manner and are not used for gearing purposes. Zenith believes the Fund is managed in an effective manner, leveraging the insights generated by the experienced investment team.

FUND FACTS

- Expected to hold between 40 and 70 stocks
- Selective use of derivative strategies to generate additional income and manage tax
- Expected portfolio turnover between 40% p.a. and 80% p.a.
- Zenith has assigned the Fund a responsible investment classification of **Integrated**



Zenith charges a fee to the Product Issuer to produce this report.
For further information please refer to the Disclaimer & Disclosure at the end of this report.

APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

The Zenith 'Australian Shares – Large Companies' sector consists of long-only strategies investing in the Australian equities asset class. The sector incorporates both benchmark aware and benchmark unaware strategies and focuses predominantly on stocks with large market capitalisations. The sector is one of the most competitive in the investment landscape, based on the number of managers and strategies available to investors. Despite the competitiveness of the sector, active management has historically added value, with the median active manager outperforming a passive index over the longer term.

Zenith benchmarks all funds in this sector against the S&P/ASX 300 Accumulation Index. However, many managers in this sector benchmark themselves against the S&P/ASX 200 Accumulation Index. Both indices are market-capitalisation weighted, resulting in companies with the largest market capitalisations receiving the largest weightings. Over the longer term, Zenith believes there will be minimal difference between the return profiles of these indices.

The Australian equities asset class, as represented by the S&P/ASX 300 Index, is highly concentrated and narrow. Zenith considers a company to be large cap if it falls within the S&P/ASX 50 Index, with companies falling within the S&P/ASX 51 to 100 considered mid cap. All stocks outside of the S&P/ASX 100 Index are considered small capitalisation stocks.

As at 31 May 2022, the Financials and Materials sectors combined represented a significant portion of the S&P/ASX 300 Accumulation Index, with the Financials sector accounting for approximately 28% of the Index, and Materials approximately 26%. In addition, the top 10 stocks represented approximately 45% of the Index.

PORTFOLIO APPLICATIONS

In general, compared to most other asset classes, equities offer investors the opportunity for higher capital growth over the longer term with some income. However, this higher growth is also often associated with higher volatility. Therefore, it is recommended that investors adopt a longer time frame when investing in equities.

Investors should also be cognisant of the fact that the Australian equity market is relatively concentrated, with the Materials and Financials sectors dominating the market. The market also only represents approximately 2% of global equity markets (in terms of market capitalisation). Therefore, to mitigate this concentration risk it is highly recommended that investors diversify their investments across asset classes, both domestically and globally.

One of the key attractions of the Fund is its sustainable, tax-effective income focus. Although Tyndall may use derivatives and hybrids, they will be used sparingly and the Fund will predominantly generate income from higher-yielding stocks. This relatively simple structure may appeal to investors that are wary of more complicated income funds that extensively employ derivative strategies to generate income. Tyndall aims to provide quarterly income distributions that are relatively consistent over time.

Given the Fund's value bias, Zenith believes it would blend well with growth-orientated and/or style-neutral products to achieve a diversified exposure to the Australian equity sector. The Fund may also be used as a satellite exposure blended with a core equities product to enhance portfolio income levels.

The Fund's portfolio turnover is expected to be between 40% p.a. and 80% p.a., which Zenith considers to be moderate to high. Tyndall was not able to provide any insight on the proportion of expected turnover attributed to the resizing of existing positions and that which is due to initiating and closing positions. Given this expected level of turnover, a sizeable proportion of the Fund's returns are expected to be delivered via the realisation of capital gains in income distributions, rather than through capital appreciation in the unit price. In addition, realised capital gains are unlikely to be eligible for the capital gains tax discount, which can have a further negative impact on the after-tax outcomes for high tax rate paying investors. However, Zenith notes that Tyndall generally holds core positions for extended periods, which ensures eligibility for the capital gains tax discount. Holding all else equal, the Fund may be more appealing to investors who are nil/low tax rate payers or high marginal tax rate payers who invest through tax-effective vehicles such as a superannuation fund.

RISKS OF THE INVESTMENT

SECTOR RISKS

Funds within the 'Australian Shares – Large Companies' sector are exposed to the following broad risks:

MARKET & ECONOMIC RISK: As is the case with all long-only Australian equities funds, the biggest risk to performance is a sustained downturn across the Australian share market. In addition, changes in economic, social, technological or political conditions, as well as market sentiment, could also lead to negative fund performance. This risk can be significantly reduced by investors adhering to a Fund's prescribed investment time frame.

SPECIFIC SECURITY RISK: This is the risk associated with an individual security. The price of shares in a company may be affected by unexpected changes in that company's operations such as changes in management or the loss of a significant customer.

LIQUIDITY RISK: This is the risk that a security or asset cannot be traded quickly enough due to insufficient trading volumes in the market. When trading volumes are low, sellers can significantly impact the price of a security when attempting to quickly exit a material position.

STYLE BIAS RISK: Australian equity managers will either employ a growth, value or neutral (combination of value and growth) style approach to investing, with each style potentially conducive to certain market conditions. As with market risk, investors should adhere to the Fund's investment time frame to mitigate the impact of short-term market movements and style impact.

CAPACITY RISK: High levels of funds under management (FUM) can present additional challenges to an Australian equity manager, as high FUM has the potential to hamper the manager's ability to trade efficiently and/or be forced to disclose substantial shareholdings to the market (most

common in smaller companies).

REGULATORY RISK: The ASIC Regulatory Guide 97 'Disclosing Fees and Costs in Product Disclosure Statements and Periodic Statements' came into effect on 1 October 2017 and seeks to establish a common framework for disclosing fees with respect to registered managed investment schemes issued to retail investors.

In November 2019, ASIC released its final recommendations, with proposed changes to be phased in from 30 September 2020, with all Funds required to be compliant by 30 September 2022.

In its current form, RG97 will not impact the actual costs (or after fee returns) on existing investments. Rather, the guide is focused on providing increased transparency with respect to the costs of management. Given this, it is feasible that under RG97, investors become more sensitive to the costs charged and seek lower cost alternatives, potentially leading to fund outflows.

FUND RISKS

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

KEY PERSON RISK: As with most fund managers, key person risk needs to be considered. As such, we would consider the departure of Malcolm Whitten and Michael Maughan to be detrimental to the Fund, triggering an immediate reassessment of our rating. However, Zenith believes the dual portfolio manager structure and succession planning implemented by Tyndall largely mitigates this risk. In addition, Zenith acknowledges that all investment team members are well incentivised to remain with the firm, at least over the medium term, given their respective equity ownership stakes.

CAPACITY/LIQUIDITY RISK: Zenith believes that high levels of funds under management (FUM) can potentially inhibit Tyndall's ability to efficiently trade the portfolio, thereby limiting outperformance potential. As at 31 May 2022, Tyndall managed approximately $A 9.2 billion across its various Australian equity strategies. Tyndall has indicated a capacity limit of 0.75% of the S&P/ASX 200 Accumulation Index (approximately $A 16 billion, as at 31 May 2022). Although Zenith does not believe the Fund is currently impacted by capacity limitations, we will continue to monitor Tyndall closely to ensure that excessive FUM across its suite of Australian equity products does not impact the Fund's performance.

RELATIVE PERFORMANCE RISK: The Fund employs an income-focused, benchmark unaware investment process and, as a result, is expected to be biased towards certain sectors. As a result, performance outcomes may materially deviate from that of the benchmark and peers.

HYBRID & DERIVATIVE RISK: While the Fund is expected to remain predominantly invested in equities, Tyndall can invest in hybrids and derivatives to generate income. While the investment team can draw on the expertise of the wider Tyndall group, and Whitten has an extensive background in using derivatives, this flexibility could result in the Fund being exposed to financial instruments that are outside the core competencies of the Australian equities team.

INTEGRATION RISK: There are risks associated with the integration of Tyndall's Australian business within Yarra, including staff turnover, cost-cutting and/or product rationalisation in markets where competing strategies are managed. However, Tyndall is expected to maintain its autonomy.

QUALITATIVE DUE DILIGENCE

ORGANISATION

Tyndall Asset Management (Tyndall) is a wholly-owned subsidiary of Yarra Capital Management (Yarra), a Melbourne-based boutique fund manager that offers a broad range of active strategies spanning Australian equities and fixed income.

In April 2021, Yarra completed the acquisition of Nikko Asset Management's (Nikko) Australian business, which included Tyndall (formerly Nikko Asset Management Australia). Nikko retained a 20% stake in Yarra, which enables Nikko's global business to gain access to Yarra's investment products while Yarra assumes responsibility for the distribution of Nikko's global suite of products in the Australian market. Yarra is one of Australia's largest independently-owned Australian equities and fixed income managers, with approximately $A 19.7 billion of funds under management as at 31 May 2022.

Yarra was established in 2017 following the management buyout of Goldman Sachs Asset Management's Australian-focused investment management business. Yarra, Nikko and Tyndall share administrative support functions including capital, financial, systems and human resources, which we view positively, as it allows the investment team to focus on research and portfolio management efforts.

Tyndall's Australian equities business is a 50/50 joint venture between Yarra and investment staff in the Australian equities team. All investment personnel in the Australian equities team have equity ownership.

As at 31 May 2022, Tyndall had funds under management (FUM) of approximately $A 9.2 billion across its various Australian equity strategies. The Australian Share Income strategy accounted for approximately $A 1.2 billion in FUM, including $A 155 million in the Fund.

INVESTMENT PERSONNEL

Name	Title	Tenure
Brad Potter	Head of Australian Equities	20 Yr(s)
Tim Johnston	Deputy Head of Australian Equities	24 Yr(s)
Malcolm Whitten	Portfolio Manager/Senior Analyst	28 Yr(s)
Michael Maughan	Portfolio Manager/Senior Analyst	15 Yr(s)

Tyndall's Australian equities team is located within its Sydney-based office. Led by Brad Potter, who has been with Tyndall since 2002, the investment team consists of 11 investment professionals with an average of 21 years' industry experience. Zenith considers Potter to be a high-quality investor with the requisite expertise to lead the team.

Tyndall provides leadership training for a number of senior team members. Zenith believes this succession planning approach provides the investment team with a strong sense of stability and direction, and aids in mitigating key person risk. In addition, this approach provides portfolio management experience to highly-regarded internal candidates through a progressive multi-portfolio manager structure.

The Fund is managed by Malcolm Whitten and Michael Maughan under a 50/50 dual portfolio manager structure. Whitten has over 29 years of industry experience, having spent the majority of those with Tyndall. Maughan has over 22 years of industry experience, joining Tyndall in 2007. Prior to July 2016, Whitten managed 80% of the Fund, whilst Maughan managed the remaining 20%. Zenith believes the current 50/50 portfolio management configuration is consistent Tyndall's approach to succession planning.

All funds in Tyndall's Australian equities business operate under a dual portfolio management structure. Tyndall transitioned to this model in July 2007 as a way of mitigating key person risk. In general, Zenith views dual portfolio manager structures to be a less efficient approach to portfolio management, as it can result in portfolios with a longer tail of small holdings and has the potential to result in opposing views being held within the Fund.

Tyndall's research structure is well defined, with each analyst responsible for approximately 15 to 20 stocks. Although analysts tend to specialise in a particular sector, the financials and resources sectors are covered by multiple analysts. The team also attempts to ensure that at least two analysts attend company visits and meetings to ensure a cross-check of views and assessments.

The team meets multiple times during the week to discuss research and portfolio construction matters. At the research meetings, the team discusses company news items and broader market conditions, and reviews analyst stock recommendation updates/changes. Weekly portfolio construction meetings are held to provide further peer review of all portfolio decisions and to ensure all portfolio managers are aware of any pertinent information.

The investment team has historically maintained a high level of stability, which we believe is due to the equity participation shared across the team that provides an alignment of interest with the business. In addition to equity participation, which can form a large component of remuneration, team members are paid a base salary as well as a bonus based on meeting certain performance targets.

Overall, Zenith considers the team to be well resourced and highly experienced. In particular, Zenith rates the portfolio management team of Whitten and Maughan highly. Furthermore, we believe the peer-review process ensures that a collegiate environment is fostered and is one of the core strengths of Tyndall's process.

INVESTMENT OBJECTIVE, PHILOSOPHY AND PROCESS

The Fund's investment objective is to provide tax-effective income 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. In addition, Tyndall aims to provide long-term capital growth over the same time period.

Tyndall believes markets are inefficient and aims to exploit these inefficiencies through the application of its long-standing proprietary relative valuation process. In addition, Tyndall closely assesses the sustainable dividend capacity of stocks. Tyndall applies a rigorous fundamental process to determine a stock's internal rate of return (IRR), with the time horizon for stock valuation being three years. This is designed to encourage low portfolio turnover, consistent with the belief that a value philosophy is suited to a long-term investment horizon.

Tyndall believes that a company's intrinsic value is best evaluated by examining its assets and normalised earnings power, while assigning value to potential growth only in exceptional cases. Through buying companies trading significantly lower than its intrinsic value and employing sound risk management techniques, Tyndall believes it can enhance the risk/return trade-off associated with traditional value investing.

While the Fund has the capacity to invest in both hybrids and derivatives, Zenith regards it to be one of the least active in this space, with its net market exposure expected to range between 85% and 100% through the cycle.

SECURITY SELECTION

Tyndall applies its proprietary relative valuation process, Comparative Value Analysis (CVA), across all of its Australian equity strategies. The process seeks to identify companies with sustainable medium-term earnings that are trading at a significant discount to intrinsic value.

The initial universe includes all stocks listed in the S&P/ASX 200 Index. A liquidity screen is applied based on the 90-day median daily turnover for each stock in the index. To be eligible, Tyndall must be able to enter/exit a position within this period, based on a notional 1% portfolio weighting, and not account for more than 30% of daily turnover. This results in a universe of approximately 150 stocks.

These stocks are then subject to an additional proprietary, multi-factor stock screen that ranks stocks by value, quality and combined scores. The multiple valuation metrics used to filter the investment universe include:

- One-year forward consensus price to earnings
- Grossed-up dividend yield
- Enterprise value multiple
- Two qualitative metrics

After the application of the initial screens, Tyndall undertakes detailed fundamental research. This includes projections of a company's financial statements and key financial ratios. Tyndall prioritises companies with balance sheets and cash flows that can finance potential growth and returns to shareholders.

Through a fundamental research process, Tyndall derives a company's intrinsic value based on a number of standardised inputs. As part of Tyndall's discounted cashflow process, it models a 'franchise period' that is generally four to eight years and represents the period a company is expected to achieve abnormal growth. To ensure the validity of all valuations, analysts compare valuations across a range of metrics, including capitalisation of normalised earnings, discounted

cash flows and, when appropriate, break-up valuations of companies.

A standard set of macroeconomic assumptions for commodity prices and currencies is employed in all models to ensure consistency throughout the process. These assumptions include currency, commodity and interest rate inputs.

The team takes a view on key macroeconomic variables and consensus forecasts based on inputs from brokers and other external sources. Unless the team has divergent views, the model defaults to the consensus. Company models are updated and/or initiated when there is new information that is likely to change estimated returns on stocks or there are new stocks that appear attractive on Tyndall's value/quality screens.

Company contact forms an important component of the research process, and includes visits to suppliers, customers and competitors. The objective is to gain a better understanding of the operations of the company and the industry in which it operates. Company visits are undertaken to validate inputs into the company models, determine the strategic value of the assets and assess management.

The output of the CVA research process is the production of a three-year internal rate of return (IRR) calculation for each stock, updated in real-time. In addition, a forecast grossed-up dividend yield (GUDY) is also generated. The stocks are then ranked based on IRR. Tyndall will seek to invest in stocks with a high IRR and above-average GUDY. To ensure the consistency of assumptions, detection of errors and omissions, and validity of forecasts, all team members extensively review all research. Zenith believes Tyndall employs a robust peer-review process.

Zenith believes the stock selection process employed by the team is robust and in-depth, providing a strong input into the portfolio construction process.

PORTFOLIO CONSTRUCTION

Portfolio construction is the responsibility of Whitten and Maughan, who construct discrete portfolios that are then combined to form the Fund. Although ultimate discretion remains with the two portfolio managers, they must communicate any changes to the team.

The portfolio managers will generally select stocks with high GUDYs and high IRRs whilst selling or avoiding stocks that have low GUDYs and low IRRs. However, Tyndall has a preference for stocks with high and sustainable dividends, with relative valuations considered as a secondary concern. Therefore, stocks considered for portfolio inclusion may have lower IRRs relative to the stocks that Tyndall would normally consider for its total return-focused strategies.

To construct the Fund, the portfolio managers generate model portfolios, which are periodically optimised and assessed through the BARRA risk system. BARRA assesses the portfolio's efficiency and exposure to risk. While this optimisation process provides a guide for portfolio construction, the portfolio managers retain the flexibility to express their qualitative views in accordance with the Fund's risk constraints. The portfolio managers also consider factors such as volatility, stock concentration, sector risks and style risks.

The portfolio is monitored on a daily basis, with a number of events triggering a review of a portfolio position. These include:

- Changes to the dividend yield and IRR due to stock price changes
- Abnormal stock price movements
- A stock weighting deviates more than 30% from the model portfolio target
- A stock approaches its assessed fair value
- A new stock enters the top 20 stocks ranked by IRR
- Poor price or earnings performance of a stock
- New material information becomes available
- An analyst signalling a change in forecasts or valuation
- Capital raising, initial public offerings, merger and acquisition activity

Tyndall's buy and sell decisions are only undertaken if the portfolio managers believe that a change will improve portfolio returns after transaction costs.

The Fund will generally hold between 40 and 70 stocks, with portfolio turnover expected to range between 40% p.a. and 80% p.a. The portfolio is fundamentally income-focused, and is managed without reference to a benchmark, although Tracking Error is monitored. Whilst the Fund is typically fully invested, it may retain up to 20% in cash. This may occur if the cash rate exceeds the GUDY of the S&P/ASX 200 Accumulation Index by more than 2% p.a.

The portfolio managers retain the discretion to invest up to 7.5% of the portfolio in stocks that do not meet the criteria of the CVA process, allowing stocks to be selected that may have high expected returns without strictly fitting within Tyndall's three-year time horizon. While the portfolio managers have this discretion, they must explain their logic to the team for peer review. Given Zenith's high opinion of the CVA process, we would prefer the Fund's investment universe were limited to stocks that are compliant with the process.

The Fund can also invest in hybrids where the risk/reward outcome is deemed favourable and is consistent with the Fund's investment objectives. For this purpose, it uses the research and expertise of Yarra's fixed interest team.

Tyndall may also use options to generate additional income, manage tax and manage risk. Options are generally only used in an opportunistic manner and are not used for gearing purposes. The most commonly used option strategy within the Fund is a buy-write option strategy, also known as a covered call. This strategy involves holding a stock long while committing to sell the stock to a buyer at an agreed price in the future, in return for premium income. The strategy caps the upside return at the income from the option premium, while remaining fully exposed to a stock's downside risk. Effectively, a stock's upside potential is forgone for income.

Zenith believes managers that employ option strategies generally require extensive dedicated resources and a differentiated investment perspective. On a peer-relative basis, Zenith believes Tyndall's option capabilities are not as strong. However, we acknowledge that Whitten has significant options experience and that option strategies are not a significant component of the Fund.

Overall, Zenith believes the Fund is managed in an effective manner, leveraging the insights generated by the experienced

investment team.

RISK MANAGEMENT

Portfolio Constraints	Description
Security Numbers	40 to 70
Absolute Stock Weight (%)	max: 8% (6% at initiation)
Absolute Sector Weight (%)	max: 20% (50% for Financials ex-Real Estate with a 30% cap on banks)
Cash (%)	max: 20%
ESG Constraints - Excluded Sectors	N/A

The Fund is managed within the risk constraints in the table above.

Zenith believes that risk management is firmly ingrained in Tyndall's culture. As evident in the underlying CVA process, multiple valuation methodologies are employed when valuing stocks. To add a further layer of risk control, Zenith notes that Tyndall uses conservative inputs in its valuations. In addition, the peer-review process ensures that biases are mitigated and all positions examined thoroughly.

While the portfolio managers utilise a number of tools to achieve an appropriate risk/return trade-off, judgement and analyst input are the primary determinants. BARRA analysis is utilised to ensure that the portfolio managers are cognisant of the risks in the portfolio, including unintended biases. Risk factors include volatility, leverage, industry, price/earnings momentum, value and size. If these exposures are deemed excessive, the portfolio may be adjusted to moderate the risk exposure.

Tyndall periodically conducts scenario analysis on the portfolio, referencing previous events that have been problematic for the market and for Tyndall. If the downside risk is too large, the portfolio is again assessed and may be adjusted with additional sector, factor or stock constraints.

Overall, Zenith is comfortable with the risk management process employed by Tyndall.

Responsible Investment Approach

Tyndall has an established Responsible Investment Policy, last updated in 2020, that guides its investment decisions. In addition, Tyndall is a signatory of the United Nations-supported Principles for Responsible Investment (PRI), assigned the following ratings:

- Strategy and Governance: **A+**
- Listed Equity - Incorporation: **A+**
- Listed Equity - Active Ownership: **A**

While the portfolio has no specific exclusions, as outlined in the table above, Tyndall takes an active approach to environmental, social and governance (ESG) issues. ESG is evaluated as part of the team's fundamental analysis process and, where ESG issues are deemed to be significant, they can preclude a company as a potential investment. Zenith believes that this qualitative analysis of a company's operations is crucial on a forward basis, given that a company's performance with regards to ESG considerations is increasingly being reflected in the company's share price. Overall, Zenith is comfortable with Tyndall's approach to ESG.

From a classification scale of:

- Impact
- Thematic
- Integrated
- Aware
- Traditional

Zenith has assigned the Fund a responsible investment classification of **Integrated**.

INVESTMENT FEES

The sector average management cost (in the table below) is based on the average management cost of all flagship Australian Shares – Equity Income funds surveyed by Zenith.

The Fund's management cost is 0.85% p.a., with no performance fee charged. Zenith believes the overall fee structure is attractive in comparison to equity income peers that employ a derivative overlay strategy.

The Fund also applies a buy/sell spread of 0.25% on all applications and redemptions.

(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform.)

Fees Type	Fund	Sector Average (Wholesale Funds)
Management Cost	0.85% p.a.	0.78% p.a.
	Description	
Performance Fee	N/A	
	Buy Spread	Sell Spread
Buy / Sell Spread	0.20%	0.20%

PERFORMANCE ANALYSIS

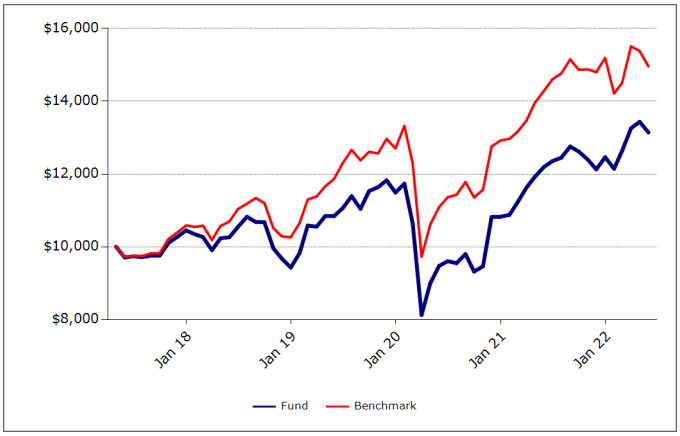
Report data: 31 May 2022, product inception: Dec 2008

Monthly Performance History (%, net of fees)

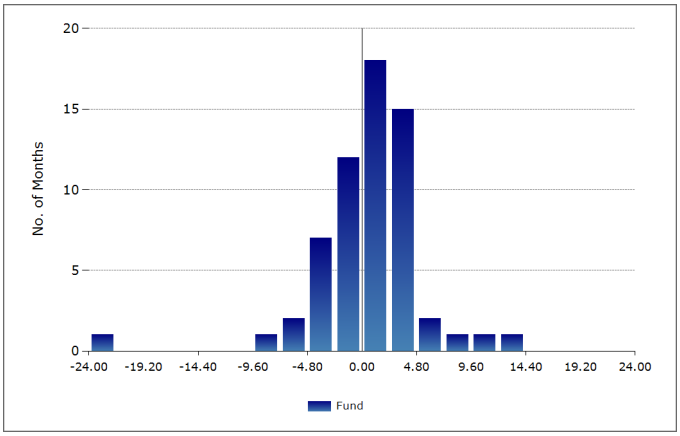
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND YTD	BENCHMARK YTD
2022	-2.56	4.08	4.87	1.37	-2.20								5.44	-1.56
2021	0.47	3.11	3.61	2.62	2.23	1.35	0.76	2.47	-1.10	-1.72	-2.18	2.75	15.12	17.55
2020	2.15	-9.34	-23.64	10.69	5.35	1.37	-0.57	2.62	-4.90	1.54	14.33	0.06	-5.78	1.74
2019	4.26	7.64	-0.30	2.76	-0.01	2.02	2.99	-3.09	4.46	0.89	1.63	-2.85	21.84	23.78
2018	-1.04	-0.72	-3.53	3.30	0.32	2.76	2.62	-1.34	-0.02	-6.71	-2.90	-2.51	-9.77	-3.07

Benchmark: S&P/ASX 300 (Accum)

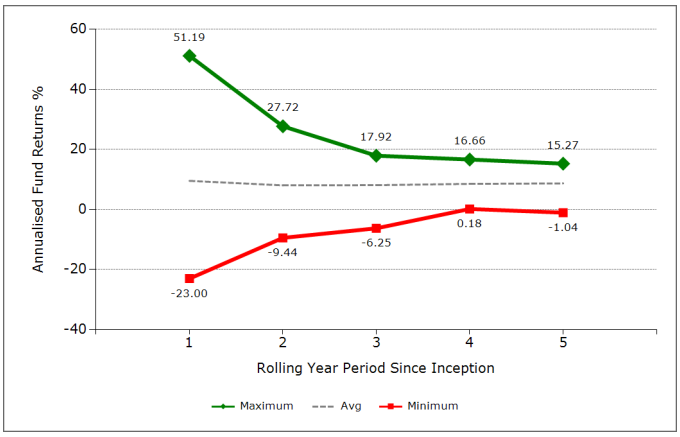
Growth of $10,000



Monthly Histogram



Minimum and Maximum Returns (% p.a.)



ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	5 yr	3 yr	1 yr
Fund (% p.a.)	9.02	6.24	6.62	7.79
Benchmark (% p.a.)	9.53	8.98	8.02	4.72
Median (% p.a.)	8.91	6.81	6.64	7.23
Ranking within Sector	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund Ranking	5 / 10	14 / 24	15 / 27	13 / 30
Quartile	2nd	3rd	3rd	2nd
Standard Deviation	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund (% p.a.)	14.31	16.63	19.86	8.57
Benchmark (% p.a.)	13.51	14.75	17.65	11.12
Median (% p.a.)	13.43	14.87	17.61	9.76
Downside Deviation	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund (% p.a.)	9.83	12.52	15.37	4.51
Benchmark (% p.a.)	9.21	11.21	13.79	7.33
Median (% p.a.)	9.41	11.28	14.02	5.57
Risk/Return	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Sharpe Ratio - Fund	0.46	0.32	0.31	0.90
Sortino Ratio - Fund	0.67	0.42	0.41	1.72

To ensure consistency, Zenith measures all Australian equities funds against the S&P/ASX 300 Accumulation Index. However, Tyndall benchmarks itself against the S&P/ASX 200 Accumulation Index (grossed up for franking credits). Over the long term, Zenith expects any difference in performance between these two indices to be nominal.

All commentary below is as at 31 May 2022.

The Fund's investment objective is to provide tax-effective income 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. In addition, Tyndall aims to provide long-term capital growth over the same time period.

Tyndall has delivered upon the Fund's investment objectives and has outperformed the median manager since inception.

The Fund has delivered income greater than 8% p.a. (inclusive of franking credits) over the long term.

The Fund's risk (as measured by Standard Deviation) has been higher than that of the benchmark and median manager over all assessed periods.

RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	5 yr	3 yr	1 yr
Excess Return (% p.a.)	-0.51	-2.74	-1.40	3.07
% Monthly Excess (All Mkts)	50.62	36.67	41.67	50.00
% Monthly Excess (Up Mkts)	44.76	34.88	40.00	28.57
% Monthly Excess (Down Mkts)	61.40	41.18	45.45	80.00
Beta Statistics	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Beta	1.00	1.08	1.08	0.65
R-Squared	0.90	0.91	0.92	0.72
Tracking Error (% p.a.)	4.54	5.00	5.78	5.96
Correlation	0.95	0.96	0.96	0.85
Risk/Return	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Information Ratio	-0.11	-0.55	-0.24	0.52

All commentary below is as at 31 May 2022.

Zenith seeks to identify funds that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill. Tyndall has achieved this outcome since inception. As expected, the Fund has experienced stronger performance consistency in declining markets.

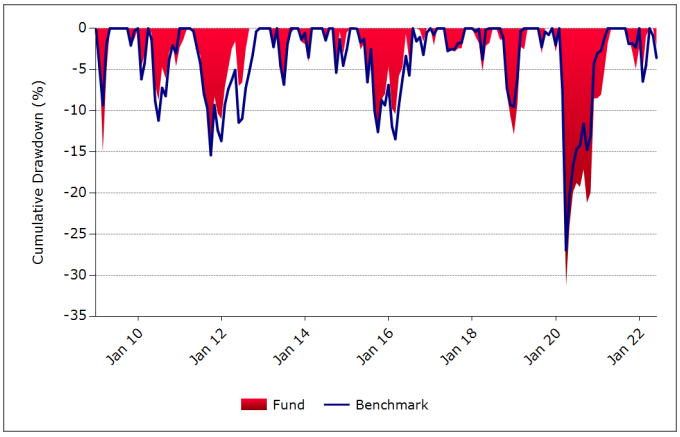
Although Tyndall does not target a specific Tracking Error range, it is monitored. Investors should be aware that the Fund may deviate significantly from the benchmark over the short to medium term.

DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.

Drawdown Analysis	Fund	Benchmark
Max Drawdown (%)	-31.30	-26.97
Months in Max Drawdown	4	2
Months to Recover	13	12

Worst Drawdowns	Fund	Benchmark
1	-31.30	-26.97
2	-15.01	-15.41
3	-13.48	-13.46
4	-12.89	-11.20
5	-12.23	-9.51



All commentary below is as at 31 May 2022.

The Fund's drawdowns have been broadly in line with that of the benchmark, which Zenith considers to be somewhat unexpected given the defensive nature of the strategy. In addition, the Fund experienced a larger drawdown than the benchmark in 2020, which was a disappointing outcome.

INCOME/GROWTH ANALYSIS

Income / Growth Returns	Income	Growth	Total
FY to 30 Jun 2021	4.84%	23.78%	28.62%
FY to 30 Jun 2020	4.35%	-17.53%	-13.19%
FY to 30 Jun 2019	7.66%	-2.82%	4.83%
FY to 30 Jun 2018	6.81%	1.47%	8.27%
FY to 30 Jun 2017	12.74%	5.69%	18.43%
FY to 30 Jun 2016	6.07%	-3.54%	2.53%
FY to 30 Jun 2015	10.44%	-1.82%	8.62%
FY to 30 Jun 2014	9.85%	7.39%	17.24%
FY to 30 Jun 2013	4.70%	17.43%	22.13%
FY to 30 Jun 2012	4.23%	-7.64%	-3.41%

Investors should be aware that Tyndall does not target a specific absolute level of income. However, it does aim to provide tax-effective income 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.

In most circumstances, the Fund will be fully invested, allowing for distributions to be made on a quarterly basis. However, in some circumstances, such as the cash rate exceeding the GUDY of the S&P/ASX 200 Accumulation Index, the Fund may hold up to 20% in cash.

The Fund's portfolio turnover is expected to be between 40% p.a. and 80% p.a., which Zenith considers to be moderate to high. Tyndall was not able to provide any insight on the proportion of expected turnover attributed to the resizing of existing positions and that which is due to initiating and closing positions. Given this expected level of turnover, a sizeable proportion of the Fund's returns are expected to be delivered via the realisation of capital gains in income distributions, rather than through capital appreciation in the unit price. In addition, realised capital gains are unlikely to be eligible for the capital gains tax discount, which can have a further negative impact on the after-tax outcomes for high tax rate paying investors. However, Zenith notes that Tyndall generally holds core positions for extended periods, which ensures eligibility for the capital gains tax discount. Holding all else equal, the Fund may be more appealing to investors who are nil/low tax rate payers or high marginal tax rate payers who invest through tax-effective vehicles such as a superannuation fund.

REPORT CERTIFICATION

Date of issue: 30 Jun 2022

Role	Analyst	Title
Author	Quan Nguyen	Head of Equities
Sector Lead	Quan Nguyen	Head of Equities
Authoriser	Bronwen Moncrieff	Head of Research

ASSOCIATIONS & RELATIONSHIPS

ASIC Regulatory Guide RG79.164 requires Research Houses to disclose certain associations or relationships that they may have with a product issuer. We may receive remuneration from an issuer or investment manager for subscription to our other research/ data services or the research/ data services of our related entities. Conflict management arrangements are in place where we or our related entities provide research services to the product issuer or financial advisory businesses who provide financial planning services to investors and are also associated entities of product issuers. This is in accordance with the Zenith Group's Conflict of Interests Policy. Further details in relation to our relationships and associations are available on request.

RATING HISTORY

As At	Rating*
30 Jun 2022	Recommended
24 Jun 2021	Recommended
15 Mar 2021	Recommended
18 Jun 2020	Recommended
20 Jun 2019	Recommended
21 Jun 2018	Recommended

Last 5 years only displayed. Longer histories available on request.

As At	Rating*

*In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.

DISCLAIMER AND DISCLOSURE

Zenith Investment Partners (ABN 27 103 132 672) is the holder of Australian Financial Services Licence 226872 and is authorised to provide general financial product advice. This Product Assessment Report (report) has been prepared by Zenith exclusively for Zenith clients and should not be relied on by any other person. Any advice or rating contained in this report is limited to General Advice for Wholesale clients only, based solely on the assessment of the investment merits of the financial product. This report is current as at the date of issue until it is updated, replaced or withdrawn and is subject to change at any time without notice in line with Zenith's regulatory guidelines. Zenith clients are advised to check the currency of reports and ratings via Zenith's website for updates and should also verify information in relation to the fund with the relevant Fund Manager. Any advice contained in this report has been prepared without taking into account the objectives, financial situation or needs of any specific person who may read it, including target markets of financial products, where applicable. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek their own independent financial or tax advice, obtain a copy of, and consider any relevant PDS or offer document and consider the appropriateness of this advice in light of their own objectives prior to making any investment decision. Zenith charges an upfront flat fee to the Product Issuer, Fund Manager or other related party to produce research on funds that conform to Zenith's Research Methodology. Zenith's fee and Analyst remuneration are not linked to the rating outcome in any way. Views expressed in Zenith reports accurately reflect the personal, professional, reasonable opinion of the Analyst who has prepared the report. Zenith may also receive a fee for other non-research related services such as subscription fees for Zenith's research services and/or for the provision of investment consultancy services. Conflicts management arrangements are in place where Zenith provides research services to financial advisory businesses who provide financial planning services to investors and are also associated entities of the product issuers, with any such conflicts of interest disclosed within reports as appropriate. Full details regarding such arrangements are outlined in Zenith's Conflicts of Interest Policy www.zenithpartners.com.au/important-information/links/conflicts-of-interest/

Zenith's research process seeks to identify investment managers considered to be the 'best of breed' through a comprehensive, multi-dimensional selection process. Zenith utilises both quantitative and qualitative factors in its ratings models. Models maximise commonality across different asset classes while retaining flexibility for specialist asset classes and strategies. The selection process is rigorous in both its qualitative and quantitative analysis and each component is equally weighted. Zenith does not manage any proprietary assets and as such Zenith is able to choose investment managers with absolute independence and objectivity. More detailed information regarding Zenith's fund research methodology and Zenith's traditional index research methodology, coverage and ratings is available on Zenith's website at Fund Research Methodology and Traditional Index Research Methodology.

This report is subject to copyright and may not be reproduced, modified or distributed without the consent of the copyright owner. The information contained in this report has been prepared in good faith and is believed to be reliable at the time it was prepared, however, no representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information presented in this report. Except for any liability which cannot be excluded, Zenith does not accept any liability, whether direct or indirect arising from the use of information contained in this report. Past performance is not an indication of future performance.

Third Party data may be sourced from Financial Express, Refinitiv, Bloomberg and/or MSCI. Third party data and content used in this document has not been independently verified by Zenith and Zenith provides no warranty, representation or responsibility to update this document. Third Party data is the intellectual property of that third party and must not be reproduced, stored or transmitted without their consent.

Full details regarding the methodology, ratings definitions and regulatory compliance are available at www.zenithpartners.com.au/RegulatoryGuidelines

Zenith is not required to be licensed under New Zealand law or be registered on the FSPR. Zenith has not engaged or authorised any party to provide financial advice on its behalf to New Zealand investors.

Zenith ratings and research are prepared by Zenith and are not connected in any way to research and ratings prepared by any of our related entities.

This report refers to the Australian unit trust for the fund, and the fund and benchmark returns are all in AUD.

Zenith will seek to confirm with the product issuer that, where required, the fund has in place a current Target Market Determination as per Regulatory Guide 274: Product Design & Distribution Obligations, issued by the Australian Securities and Investments Commission.

Zenith has charged Yarra Capital Management Group a fee to produce this report.