

TYNDALL AUSTRALIAN SHARE INCOME FUND.

FUND UPDATE

AS AT
28 FEBRUARY 2023

Fund Performance (%)

	1 Mth	3 Mths	6 Mths	1 Yr	2 Yrs p.a.	3 Yrs p.a.	4 Yrs p.a.	5 Yrs p.a.	7 Yrs p.a.	Since Inception p.a.
Fund Growth return	-1.34	-1.56	3.16	0.69	3.43	2.37	0.59	-0.65	1.31	2.13
Fund Distribution return	0.00	2.46	2.76	6.87	6.66	6.13	5.85	6.40	7.19	6.56
Total Fund return (net)*	-1.34	0.89	5.93	7.56	10.09	8.50	6.45	5.76	8.50	8.70
Fund grossed up dividend yield				8.26	9.25	8.09	7.99	8.70	8.78	8.74
S&P/ASX 200 Accumulation Index Yield (grossed up for franking credits)				5.49	5.70	5.02	5.10	5.26	5.46	5.80
Excess yield				2.76	3.55	3.07	2.88	3.44	3.32	2.93

Source: Citi. Fund growth return is the change in redemption prices over the period. Fund distribution return equals Total Fund minus Fund growth return. The grossed up dividend yield for the Tyndall Australian Share Income Fund is before fees and relates to the Fund's holdings and differs from the Fund's distribution due to franking credits, management fees and other costs. There are also timing differences between the Fund grossed up dividend yield and the Fund distribution return. Dividends for the grossed up dividend yield are calculated on the stock's ex-dividend date. Dividends for the distribution return are generally calculated when the dividend is received (which can be after the ex-dividend date and the reporting period for this Fund Update). YIML adopts a distribution policy, whereby a certain amount of income is held back each quarter, with the full amount released at the end of the financial year. Net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Past performance is not an indicator of future performance. Inception date: 14 November 2008.

*Due to share buy-back participation performance was negatively impacted: BHP Apr 2011 0.250%; TLS Oct 2014 0.295%; TLS Oct 2016 0.153%; RIO Nov 2017 0.011%; RIO Nov 2018 0.459%; BHP Dec 2018 0.061%; WOW May 2019 0.068%; CBA Oct 2021 0.230%; WOW Oct 2021 0.102%

The Fund outperformed the broader equities market during the month (on a net basis). The Fund has delivered a grossed up dividend yield of 8.26% over the past 12 months and continues to exceed its long-term performance objective, by delivering an excess grossed up dividend yield greater than 2.00% p.a. above its benchmark since inception.

Key contributors to absolute performance over the month:

- **GUD Holdings** shares were up, its results were a confidence booster, with service consumables recovering post COVID and the market for its tow bars has stopped deteriorating. Despite concerns on the profitability of the AutoPacific Group (APG) acquisition and that a capital raising might be

required, the better-than-expected result from APG allayed these fears.

- **QBE Insurance** rallied on better than expected results and provided guidance for further improvements. Key highlights included significantly increased interest earnings on its premium float/technical reserves and continuing premium rate increases offsetting claims inflation.
- **Orora** outperformed on solid results, which was underpinned by significant improvements in the North American business and very strong beverage can volume growth in Australia.
- **Inghams** shares rose despite delivering a first half result below market expectations. What was encouraging was that the company demonstrated that they managed to achieve sustained price increases during the half with a strong exit run rate

for average sale price. This should be accretive to margins as cost pressures ease and operational challenges from COVID abate.

- **Aristocrat Leisure** outperformed, driven by sequential improvement in digital performance, as the stock had been depressed on concerns around their digital business. The company's announcement that they are partnering with BetMGM to offer their real money content is a welcome milestone for the company's newest business segment.

Key detractors from absolute performance over the month:

- **BHP Group** and **Rio Tinto** shares were weaker along with the broader resources sector, as US recession concerns and worries China's iron ore stockpiles continue to build, while its property sector appears to be weakening.
- **Commonwealth Bank** shares were down, despite announcing a result that was better than expected. The bank has indicated going forward increasing competition in mortgages would put pressure on margins. The market had been expecting margins to peak in the first half of 2023, so the CBA's comments led to share price weakness in all banks.
- **Downer EDI** shares fell after reporting first half profits had fallen 20% on pcp and provided lower guidance. Downer posted higher revenues for the half, but its bottom line was impacted by costs caused by labour shortage and unprecedented weather.
- **National Australia Bank** reported another strong quarter with net interest margins higher and bad debts very low. However, all major banks lost ground due to the comments by CBA that net interest margins have peaked.

Top 10 Holdings

Security Name	% of Fund
Commonwealth Bank	7.36
BHP Group	7.14
Telstra	5.50
Rio Tinto	5.02
ANZ Bank	4.80
Westpac Bank	4.45
Woodside Energy Group	4.38
National Australia Bank	4.15
QBE Insurance	3.38
Coles Group	2.91

Fund Metrics

	Price to Earnings Ratio*	Forecast Dividend Yield (%)*
Fund	13.64	4.97%

Actual figures may vary. Forecasts are 12 months forward.

* Based on Broker Consensus forecast.

Franking Levels

Financial year ending		%
30 June 2022	(89% on income entitlements)	52.19
30 June 2021	(66% on income entitlements)	72.75
30 June 2020	(76% on income entitlements)	79.35
30 June 2019	(91% on income entitlements)	103.12
30 June 2018	(81% on income entitlements)	57.85
30 June 2017	(78% on income entitlements)	40.65
30 June 2016	(67% on income entitlements)	71.53

Market Commentary

The S&P/ASX 200 Accumulation Index fell 2.45% over the month. Major equity markets were generally weaker in February, with markets reacting poorly to positive macro news resulting in a sharp repricing of Federal Funds futures. In local currency terms the MSCI Developed markets Index fell 1.5% and the US S&P 500 also lost ground falling 2.4%. China was the key laggard falling 10.2% over the month whereas the DAX was strongest rising 1.6%.

Monetary policy settings remain tight as the Reserve Bank of Australia raised rates by 25bps to 3.35% at its February meeting and shifted to a more hawkish tone citing broad-based inflation in Q4 as the catalyst. The expectation is that the RBA will leave rates high until inflation moves into the RBA's targeted band of 2-3%. The path to achieving a soft landing is perceived as narrow in the meeting minutes.

Domestic data releases through February indicate that activity is slowing, with private investment weakness and moderating consumer spending. The household savings rate now sits near the long-term average of 4.5%, down from 7.1%. The household interest payable rose to the highest level since 2014 and currently sits at 5.4% of disposable income. The annual inflation rate in Australia was 7.4% in January, down from 7.8% in Q4 of 2022. The unemployment rate rose for the 2nd month and sits at 3.7%.

Sector returns were mixed in February. The best performing sectors were Utilities (+3.4%), Information Technology (+2.7%) and Industrials (+1.5%). The worst performing sectors were Materials (-6.6%), Financials ex-property (-3.1%) and energy (-0.8%).

The February reporting season continued to highlight the labour and input cost pressures and the resilience of the top line. Moving forward, monetary policy tightening is expected to adversely impact the top line across several sectors and thus earnings will come under further pressure. Bloomberg consensus, however, has short-term earnings growth rising by 5.2% and revised down 1% in subsequent years.



Fund Objective

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

Key Facts

Responsible Entity

Yarra Investment Management Limited

Buy/Sell Spread

0.20%/0.20%

APIR Code

TYN0038AU

Management Cost

0.85% p.a.

Portfolio Manager

Michael Maughan, Mal Whitten

Distribution Frequency

Quarterly

Asset Allocation**

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

Fund Size

AUD 153.41 million

Minimum Investment

AUD 10,000 or platform nominated minimums

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

Contact us



Call : +61 2 8072 6300

Email : info@yarracm.com

Level 11, Macquarie House
167 Macquarie Street
Sydney NSW 2000

Important information: Yarra Investment Management Limited ABN 34 002 542 038, AFSL 229664 (YIML) is the issuer and responsible entity of units in the Tyndall Australian Share Income Fund ARSN 133 980 819 (Fund). YIML is not licensed to provide personal financial product advice to retail clients. The information provided contains general financial product advice only. The advice has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client's objectives, financial situation or needs. Prior to investing in any of the Funds, you should obtain and consider the Product Disclosure Statement (PDS) and the Target Market Determination ('TMD') for the relevant Fund by contacting our Investor Services team on 1800 251 589 or from our website at www.tyndallam.com/invest/.

The information set out has been prepared in good faith and while YIML and its related bodies corporate (together, the "Yarra Capital Management Group") reasonably believe the information and opinions to be current, accurate, or reasonably

held at the time of publication, to the maximum extent permitted by law, the Yarra Capital Management Group: (a) makes no warranty as to the content's accuracy or reliability; and (b) accepts no liability for any direct or indirect loss or damage arising from any errors, omissions, or information that is not up to date. No part of this material may, without the Yarra Capital Management Group's prior written consent be copied, photocopied, duplicated, adapted, linked to or used to create derivative works in any form by any means. YIML manages each of the Funds and will receive fees as set out in each PDS. To the extent that any content set out in this document discusses market activity, macroeconomic views, industry or sector trends, such statements should be construed as general advice only. Any references to specific securities are not intended to be a recommendation to buy, sell, or hold such securities. Past performance is not an indication of, and does not guarantee, future performance. Information about the Funds, including the relevant PDSs, should not be construed as an offer to any jurisdiction other than in Australia. With the exception of some Funds that may be offered in New Zealand from time to time (as disclosed in the relevant PDS), we will not accept applications from any person who is not resident in Australia or New Zealand. The Funds are not intended to be sold to any US Persons as defined in Regulation S of the US federal securities laws and have not been registered under the U.S. Securities Act of 1933, as amended.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. Holdings may change by the time you receive this report. Future portfolio holdings may not be profitable. The information should not be deemed representative of future characteristics for the strategy. There can be no assurance that any targets stated in this document can be achieved. Please be advised that any targets shown are subject to change at any time and are current as of the date of this document only. Targets are objectives and should not be construed as providing any assurance or guarantee as to the results that may be realized in the future from investments in any asset or asset class described herein. If any of the assumptions used do not prove to be true, results may vary substantially. These targets are being shown for informational purposes only.

© Yarra Capital Management, 2023.