

TYNDALL AUSTRALIAN SMALL COMPANIES FUND

FUND UPDATE

AS AT
31 DECEMBER 2023

Fund Performance (%)

	1 Mth	3 Mth	6 Mth	Since Inception p.a
Total Fund (net)	6.48	3.51	4.35	8.58
Benchmark return	7.23	8.52	6.42	9.31
Excess Return	-0.75	-5.00	-2.07	-0.73

Source: Citi. Past performance is not an indicator of future performance. Excess return is the difference between the Fund's net return and its benchmark. Benchmark: S&P/ASX Small Ordinaries Accumulation Index. Inception date: March 2023.

The Tyndall Australian Small Companies Fund underperformed the benchmark over the month. The Fund returned 6.48% (net of fees) for the month, compared to the benchmark return of 7.23%. Since its inception in March 2023 the fund has returned 8.58% compared to the benchmark return of 9.31%.

Key contributors to relative performance:

- **Credit Corp** was the strongest contributor to relative performance over the month. The growing belief that interest rates have peaked and that credit conditions will significantly improve, particularly in the United States, has improved sentiment surrounding Credit Corp's earnings outlook.
- **Alliance Aviation** added value in December. This outperformance followed a positive trading update delivered at the AGM highlighting that the business is delivering to expectations. In particular, management noted that the FIFO business is stable, growing and "the strongest it has been since listing" and the wet lease operations are continuing to expand in terms of volume. As utilisation increases over the next 18 months, management expect to see operating leverage driving stronger profitability.

Key detractors from relative performance:

- **Neuren Pharmaceuticals** (not held) reported positive phase 2 trial results in a second rare disease which saw the stock rally 61% in December.
- **Link Holdings** (not held) received a takeover offer from Mitsubishi UFJ Financial Group, offering a 33% premium over the prevailing share price.

Top 5 Holdings

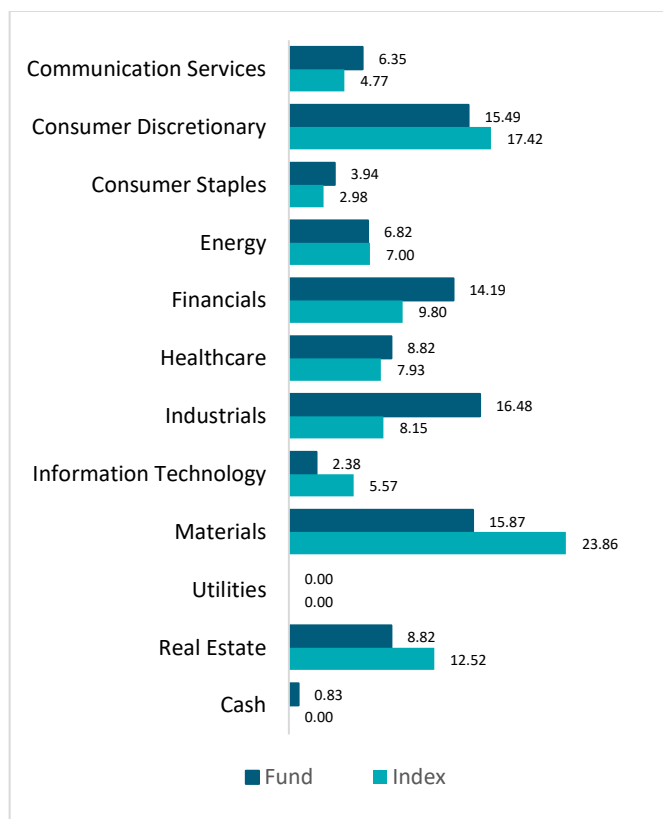
Security Name	% of Fund
Alliance Aviation	3.2
Viva Energy	3.1
AUB Group	3.1
Credit Corp	3.0
Gold Road Resources	2.9

Fund Metrics

	Fund	Benchmark
FCF Yield	6.4%	5.3%
Price/Earnings	14.3x	17.6x
2 Year EPS Growth	19.8%	20.3%
ROE	12.0%	9.2%
Beta	0.91	
Tracking Error	6.3%	

Source: Quant Answer

Sector Exposure (%)



Portfolio Changes

Key portfolio changes during the month included initiating positions in ReadyTech and HelloWorld, in addition to increasing our exposure to Domain Group and AUB Group. These transactions were funded by exiting Siteminder and a reduction in Lifestyle Communities.

ReadyTech is a software provider to the tertiary education, local government and corporate sectors. The company offers a range of software modules which provide efficiency benefits to the customer base. The migration of software services to the cloud is providing an opportunity for market share gains in its key segments. Further, the company has reinvested heavily in product development in the last two years, aimed at extending the product set and enabling ReadyTech to service a broader customer base. These factors underpin a robust growth outlook which is not reflected in the current share price.

We re-entered a position in HelloWorld, having exited in October at higher prices. We have become more comfortable with the outlook for the consumer discretionary sector following the softening of inflation and concurrent improvement in outlook for interest rates. With strong pent-up demand for travel we have a preference for travel service providers over other parts of the consumer discretionary sector.

Siteminder was exited during the month, having reached our valuation.

Lifestyle Communities was reduced after strong share price appreciation over the last two months. Conversely, Domain Holdings and AUB Group were added to on weakness.

Insight from the Portfolio Managers

The Small Cap market finished the year in grand style with a total return of 7.23% in the month of December. This represented approximately 92% of the full-year return of 7.82% and the continuation of the strong rally that commenced in November. Until that turning point, the index was down 6.05% for the first ten months of the year.

The catalyst for the “risk on” trade in small cap equities was the retracement in bond yields triggered by the belief that central banks are winning the war on inflation, and therefore policy tightening was nearing its end. Over the final two months of the year, the small cap market delivered a total return of 14.77%, outperforming the ASX100 by 2.38%. Despite this rally, the small ordinaries index lagged the ASX100 by 4.82% over the year. The moderation in inflation certainly provides central banks with greater policy flexibility and reduces the risk of a recession. Further, at the time of writing the most recent data is pointing to a reacceleration of US and global growth. For these reasons, we are optimistic that the relative strength in small caps will continue as investors become more comfortable allocating towards higher-growth opportunities in their portfolios.

Fund Objective

The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over the long term, before fees, expenses and tax.

Key Facts

Responsible Entity

Yarra Funds Management Limited

APIR Code

TYN8782AU

Portfolio Manager

Tim Johnston and James Nguyen

Asset Allocation

Australian Shares	90% - 100%
International Shares	0% - 10%
unhedged	
Cash	0% - 10%

Minimum Investment

AUD 10,000 or platform nominated minimums

Buy/Sell Spread

0.30%/0.30%

Management Cost

90bps + 20% of outperformance of the S&P/ASX Small Ordinaries Accumulation Index (after fees), subject to all prior benchmark underperformance being recouped.

Distribution Frequency

Half yearly

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