TYNDALL AUSTRALIAN SHARE INCOME FUND.

FUND UPDATE

AS AT
31 MAY 2024

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	-0.54	-1.01	5.58	3.74	-0.69	0.01	5.40	0.47	-0.86	2.04
Fund Distribution return	-0.00	0.81	2.15	5.58	6.11	6.18	6.02	5.66	6.85	6.42
Total Fund return (net)*	-0.54	-0.20	7.72	9.32	5.42	6.20	11.41	6.13	5.99	8.47
Fund grossed up dividend yield				7.41	7.70	9.07	8.32	7.92	8.64	8.72
S&P/ASX 200 Accumulation Index Yield (grossed up for franking credits)				5.29	5.80	5.74	5.32	5.23	5.42	5.81
Excess yield				2.12	1.90	3.33	3.00	2.69	3.22	2.91

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). YFML 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 underperformed the broader equities market during the month (on a net basis).

The Fund has delivered a grossed up dividend yield of 7.41% 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:

- **ANZ** reported an inline 1H result and outperformed a largely flat market. The result was helped by very low provisions with little sign of credit stress and a solid operational performance from the institutional bank. The combination of buybacks, lower risk on a bad debt cycle and the well-known subdued earnings continues to support prices despite the elevated multiple.
- **BHP** contributed to performance as the share price recovered from the negative price reaction in April following disclosure of BHP's takeover proposal of Anglo American.
- During May banks continued to perform well compared to the market. While they are now looking expensive given the low earnings growth outlook, in the very short term they look like they will provide low risk earnings, as the bad debt cycle has been surprisingly mild and the various buybacks will support prices. **National Australia Bank** was held when it went ex-dividend, and the stock performed above market when the dividend is included.

Key detractors from absolute performance over the month:

- **Telstra** underperformed despite releasing maiden FY25 guidance in line with consensus. The company announced that it is moving away from annual CPI-based price rises but was prevented by competition law from clarifying its position on pricing going forward. The market took this uncertainty as a negative but since then Optus has increased prices and we see the change as a sign of higher price rises going forward, not lower.
- **Ramsay Healthcare** underperformed in May following the release of APRA 3Q24 data. Although private hospital volumes are increasing, RHC continues to be plagued by low implied profitability. The lack of growth in overnight volumes compared to lower margin day surgery work presents downside risk to the rate of recovery in Australian EBIT margins.
- In the month of May, **Deterra** detracted from performance. The iron price was up 6% in May, placing upward pressure on share prices. However, we witnessed a sell-off in Deterra likely due to market profit taking in the iron ore name given that we have passed the peak Chinese steel consumption months of April and May.
- In the month of May, **Iluka** detracted from performance. We remain positive on the mineral sands complex recovering based on conference and company meetings during the month.
- During the month, **Metcash** underperformed without any obvious catalysts. However, the liquor and hardware markets have been weak. In the liquor market, customers are trading down and volume growth is weak. The hardware business is exposed to new home building, which has also been weak.

Top 10 Holdings

Security Name	% of Fund
ANZ Bank	8.04
Westpac Bank	7.58
BHP Group	7.11
Rio Tinto	5.93
CSL	5.20
Telstra	5.01
National Australia Bank	4.21
QBE Insurance	3.59
Woodside Energy Group	3.32
Coles Group	2.67

Fund Metrics

	Price to Earnings Ratio*	Forecast Dividend Yield (%)*
Fund	13.86	5.01%

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

Franking Levels

Financial year ending		%
30 June 2023	(97% on income entitlements)	94.17
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

Market Commentary

The S&P/ASX 200 Accumulation Index returned 0.92% over the month. While the index increased during the first half of the month (3.2%) it then dipped on the back of higher inflation numbers. In local currency terms the MSCI World Index increased by 4.07% over May 2024 while the S&P 500 also increased by 4.91%. The Australian 10-year government bond yield fell 1 bp over the month to 4.41%.

The Federal Budget was announced on 14 May by Treasurer Jim Chalmers and commentators have raised whether the stimulatory nature of the budget will result in inflation. On the one hand there is a view that the spend will result in inflation while others argue that inflation will instead drop as some of the larger measures such as the tax cuts were already known, and that cost-of-living relief will in fact lower CPI as consumers choose to save rather than spend.

In the Reserve Bank's Monetary policy meeting minutes from the 7th of May members noted that inflation in advanced economies remained above central bank's targets. Additionally, a stronger economic outlook for China and supply constraints has led to prices of some commodities increasing. Progress in lowering inflation appeared to have stalled, in some cases at least temporarily. Core services price inflation remained high and the latest US inflation data was higher than expected. Labour market conditions continued to be fairly tight and households continued to face challenges. Members reiterated their commitment to seeing inflation returning to target 2–3% range noting a limited tolerance for this to occur later than 2026. Members also noted that inflation was still declining although this was slower than expected. In light of these factors and given a number of data points received since the previous meeting have been stronger than expected, it was decided to leave the cash rate at 4.35%.

Domestic data releases throughout May seem to indicate the economy might be slowing. Australia's monthly CPI indicator rose to 3.6% in the 12 months to April with Housing and Food being two of the main contributors. Seasonally adjusted unemployment in April rose to 4.1% and Australian retail sales were weaker than expected, rising only 0.1% month on month.

CoreLogic's national Home Value Index (HVI) continued its upward trajectory in April 2024, rising 0.6%. This was similar to the gains recorded in February and March with housing values up 11.1% since the trough in January last year.

The NAB Monthly Business Survey noted that business conditions eased in April with the employment index weakening and forward orders falling driven largely by mining, manufacturing and construction.

The Westpac Melbourne-Institute Consumer Sentiment Index dipped 0.3% to 82.2 in May, from 82.4 in April. Despite cost-of-living support being a mainstay of the budget, cost pressures and inflation continue to weigh on households and consumer sentiment remains pessimistic.

Sector returns were dispersed in the month of May with information technology (5.45%), utilities (3.38%), financials (2.63%) and real estate (1.84%) performing well, materials (0.08%) and healthcare (0.14%) performing marginally well. The remaining sectors communication services (-2.63%), consumer staples (-0.95%), energy (-0.69%), consumer discretionary (-0.59%) and industrials (-0.35%) all fell.

ESG is incorporated into each and every valuation

Fund Objective

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

Key Facts

Responsible Entity
Yarra Funds Management Limited

APIR Code
TYN0038AU

Portfolio Manager
Michael Maughan, Jason Kim

Asset Allocation**

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

Minimum Investment
AUD 10,000 or platform nominated minimums

Buy/Sell Spread
0.20%/0.20%

Management Cost
0.85% p.a.

Distribution Frequency
Quarterly

Fund Size
AUD 151.09 million

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

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