

Tyndall Australian Share Wholesale Fund

Rating issued on 27 Jun 2024 | APIR: TYN0028AU

Investment objective

To outperform the S&P/ASX 200 Accumulation Index by more than 2.5% p.a. (before fees) over rolling five-year periods. Tracking Error is expected to be 2% p.a. to 8% p.a.

Manager	Tyndall Asset Management
Distributor	Yarra Capital Management Group
Sector	Australian Shares \ Large Companies
Investment Style	Value
RI Classification	Integrated
Absolute Risk	High
Relative Risk	Active - Benchmark Aware
Investment Timeframe	7+ Years
Benchmark	S&P/ASX 300 (Accum)
Min Investment Amount	\$10,000
Redemption Frequency	Daily
Income Distribution	Half Yearly
Fund Size (31 May 2024)	\$403.45M
Management Cost	0.80% p.a. Incl. GST
Performance Fee	N/A
Buy / Sell Spread	0.20% / 0.20%
Inception Date	28 Mar 1995

Fund facts

- Expected to hold between 20 and 35 stocks
- Expected portfolio turnover between 30% p.a. and 70% p.a. over a market cycle

Viewpoint

The Fund, managed by Tyndall Asset Management (Tyndall), offers investors a value-style, long-only exposure to Australian equities. 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 50/50 joint venture between Yarra Capital Management (Yarra) and the investment staff in the Australian equity team. Yarra is 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.

Based in Sydney, Tyndall's Australian equities team of 11 is led by Brad Potter. Zenith considers Potter to be a strong 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 Potter and Jason Kim under a 50/50 dual portfolio manager structure. Zenith believes Kim is a proficient investor, who has a strong track record managing the Tyndall Australian Share Concentrated Fund. 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. Potter and Kim aim to construct sub-portfolios of stocks with higher expected returns, in accordance with the Fund's risk constraints. 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 number of immaterial holdings and has the potential to result in opposing views being held within the Fund.

Zenith acknowledges that Potter and Kim leverage the same research when constructing their separate portfolios and, historically, a high level of commonality has been observed between the sub-portfolios. Overall, Zenith believes the Fund is managed in an effective manner, leveraging the insights generated by the experienced investment team.



Fund analysis

Fund characteristics

Constraint	Value
Security Numbers	20 to 35 (Typically)
Active Stock Weight	-6% to 6%
Active Sector Weight	-8% to 8%
Cash	Max: 10%
Tracking Error	2% p.a. to 8% p.a. (Expected)

Investment objective and philosophy

The Fund's investment objective is to outperform the S&P/ASX 200 Accumulation Index by more than 2.5% p.a. (before fees) over rolling five-year periods. In addition, Tracking Error is expected to be 2% p.a. to 8% p.a., with the upper limit of 8% p.a. retained for exceptional circumstances.

Tyndall believes markets are inefficient and aims to exploit these inefficiencies through the application of its long-standing proprietary relative valuation process. 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 their intrinsic value and employing sound risk management techniques, Tyndall believes it can enhance the risk/return trade-off associated with traditional value investing.

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.

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.

As a relatively concentrated offering, the Fund is likely to exhibit a more volatile performance profile than other more diversified Australian equity offerings. In addition, with limited portfolio constraints and a generous overarching risk budget, it is feasible

that the Fund's risk/return characteristics materially deviate from its benchmark. Accordingly, Zenith believes the Fund is appropriate for investors with a higher risk tolerance who can bear greater levels of return dispersion for the potential of higher growth.

From a portfolio perspective, Zenith believes the Fund's concentrated nature makes it less suitable as a core allocation to this asset class. However, Zenith believes it is appropriate as a satellite or specialist allocation and may complement broader Australian equity exposures to achieve a more balanced set of investment outcomes.

The Fund's portfolio turnover is expected to average between 30% p.a. and 70% p.a. over a market cycle, which Zenith considers to be moderate to high. However, Zenith notes portfolio turnover over the most recent three-year period have been lower than historical average. 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 the 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. As such, 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.

Fund responsible investment attributes

Key Information	Description
Zenith RI classification*	Integrated
Has Responsible Investment Policy	Yes
PRI Status	
PRI Signatory	Yes

*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact



Absolute performance

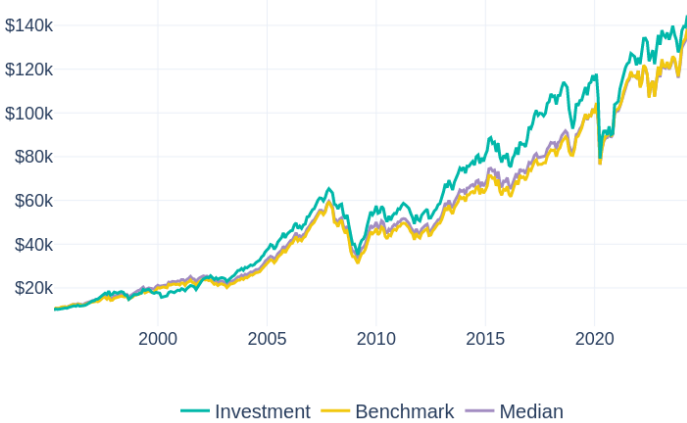
Performance as at 31 May 2024

Monthly performance history (% , net of fees)

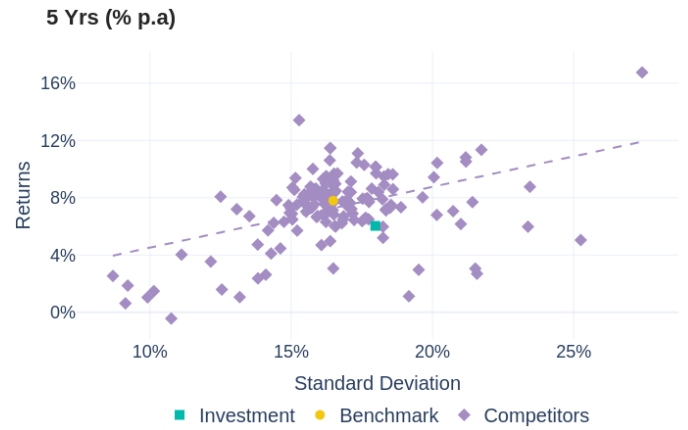
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*
2024	1.38%	-0.22%	3.85%	-1.78%	-0.07%								3.11%	3.21%
2023	5.07%	-1.62%	-0.72%	1.59%	-2.41%	1.98%	2.76%	-2.86%	-1.90%	-4.20%	2.50%	5.20%	4.95%	12.13%
2022	-2.39%	4.04%	5.34%	0.06%	-1.27%	-6.66%	2.07%	2.00%	-5.01%	4.77%	5.88%	-3.30%	4.66%	-1.76%
2021	0.91%	5.35%	3.06%	2.80%	2.63%	1.48%	0.50%	3.28%	-0.46%	-0.64%	-3.20%	2.94%	19.99%	17.55%
2020	2.74%	-9.57%	-25.77%	11.30%	4.12%	0.10%	-1.98%	4.39%	-4.13%	0.70%	14.54%	0.60%	-8.96%	1.74%

*S&P/ASX 300 (Accum)

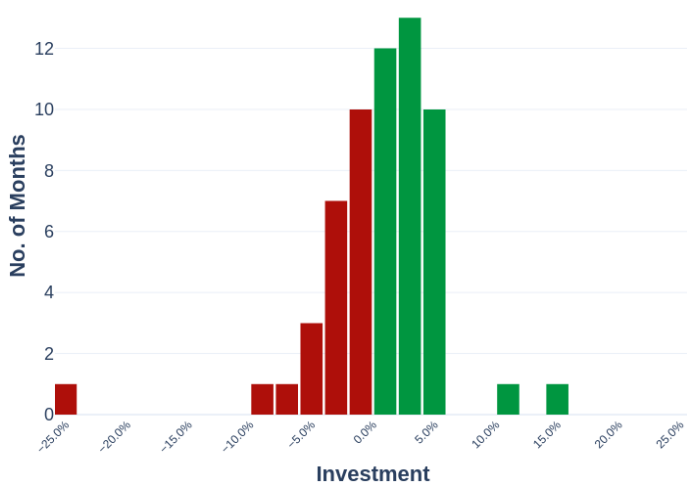
Growth of \$10,000



Risk / return



Monthly histogram



Minimum and maximum returns (% p.a.)





Absolute performance analysis

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	6.36%	5.54%	6.04%	6.20%	9.52%
Income	7.33%	7.98%	7.81%	6.86%	6.59%
Growth	-0.97%	-2.44%	-1.78%	-0.66%	2.94%
Benchmark	12.82%	6.54%	7.80%	7.79%	9.35%
Median	11.75%	6.16%	7.35%	7.14%	9.30%
Cash	4.28%	2.31%	1.59%	1.84%	4.15%

Ranking within sector (p.a.)

Ranking within Sector	1 Yr	3 Yrs	5 Yrs	Inception
Fund Ranking	131 / 153	99 / 147	126 / 141	10 / 15
Quartile	4th	3rd	4th	3rd

Absolute risk

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Standard Deviation (% p.a.)					
Investment	9.52%	10.85%	17.98%	15.56%	14.30%
Benchmark	11.00%	13.52%	16.49%	14.04%	13.19%
Median	10.65%	12.55%	15.83%	13.48%	12.50%
Downside Deviation (% p.a.)					
Investment	5.72%	6.83%	13.66%	11.28%	9.72%
Benchmark	5.65%	8.75%	12.21%	9.99%	9.02%
Median	5.69%	8.22%	11.82%	9.68%	8.54%

Absolute risk/return ratios

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Sharpe Ratio (p.a.)					
Investment	0.22	0.30	0.25	0.28	0.38
Benchmark	0.78	0.31	0.38	0.42	0.39
Median	0.70	0.31	0.36	0.39	0.41
Sortino Ratio (p.a.)					
Investment	0.36	0.47	0.33	0.39	0.55
Benchmark	1.51	0.48	0.51	0.60	0.58
Median	1.31	0.47	0.49	0.55	0.60

Whilst considering the performance of the Fund, investors should note that it has been managed under various portfolio manager and management structures, with the current portfolio management structure having been in place since May 2014.

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. 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 2024.

The Fund's investment objective is to outperform the S&P/ASX 200 Accumulation Index by more than 2.5% p.a. (before fees) over rolling five-year periods.

Although the Fund has not achieved its investment objectives over the past five years, it has generated returns above Zenith's assigned benchmark since inception.

The Fund's risk (as measured by Standard Deviation) has been higher than that of Zenith's assigned benchmark since inception, which Zenith believes is expected, given the relatively concentrated nature of the Fund.



Relative performance



Excess returns

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Excess Return	-6.46%	-1.00%	-1.76%	-1.59%	0.17%
Monthly Excess (All Mkts)	41.67%	47.22%	43.33%	49.17%	54.57%
Monthly Excess (Up Mkts)	37.50%	33.33%	38.46%	48.05%	55.07%
Monthly Excess (Down Mkts)	50.00%	66.67%	52.38%	51.16%	53.66%

Capture ratios (% p.a.)

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Downside Capture	103.53%	80.46%	99.80%	106.79%	97.33%
Upside Capture	75.31%	81.36%	93.18%	97.89%	99.01%

Tracking error (% p.a.)

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	4.14%	5.29%	6.08%	5.19%	5.96%
Median	0.72%	1.36%	1.31%	1.20%	1.77%

Information ratio

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	-1.56	-0.19	-0.29	-0.31	0.03
Median	-1.47	-0.28	-0.34	-0.54	-0.03

Beta statistics

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Beta	0.80	0.75	1.03	1.05	0.99
R-Squared	0.86	0.86	0.89	0.89	0.83
Correlation	0.93	0.93	0.94	0.94	0.91

All commentary below is as at 31 May 2024.

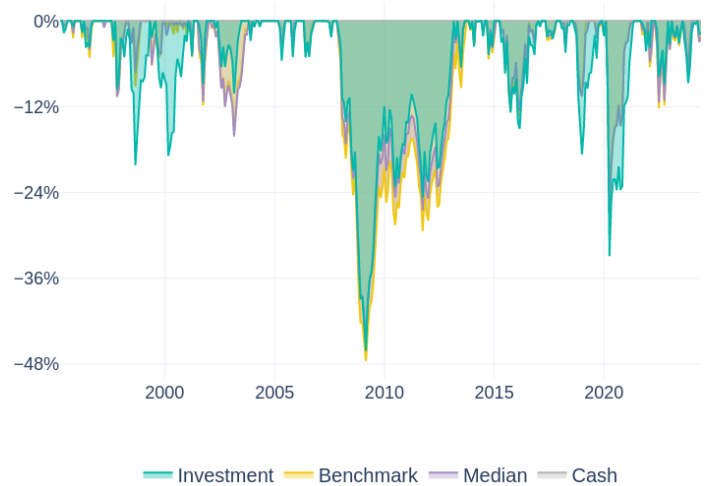
Zenith seeks to identify strategies that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill. In addition, we view a strategy's ability produce stronger upside capture ratios relative to downside capture ratios as an attractive feature.

The Fund has achieved both since inception.

The Fund has maintained a Tracking Error within its expected range of 2% p.a. to 8% p.a. over all assessed periods.

Drawdown analysis (since inception)

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.



All commentary below is as at 31 May 2024.

The Fund's drawdown profile has been similar or more pronounced than the benchmark. Given the Fund's value and quality orientation, we would generally expect its drawdown profile to be less pronounced than the benchmark.

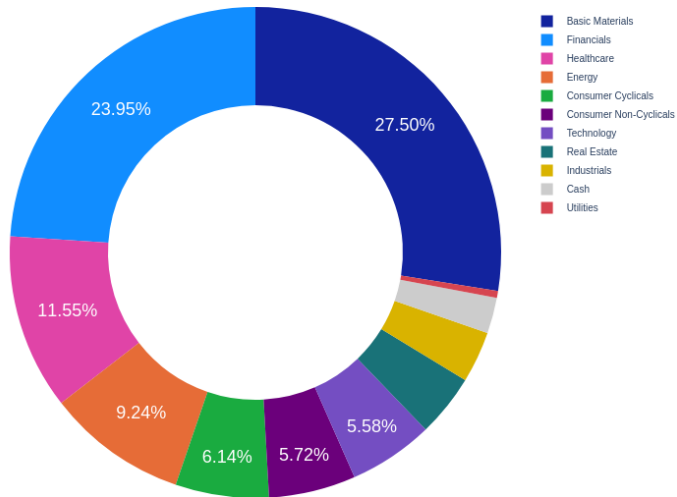


Product Exposures

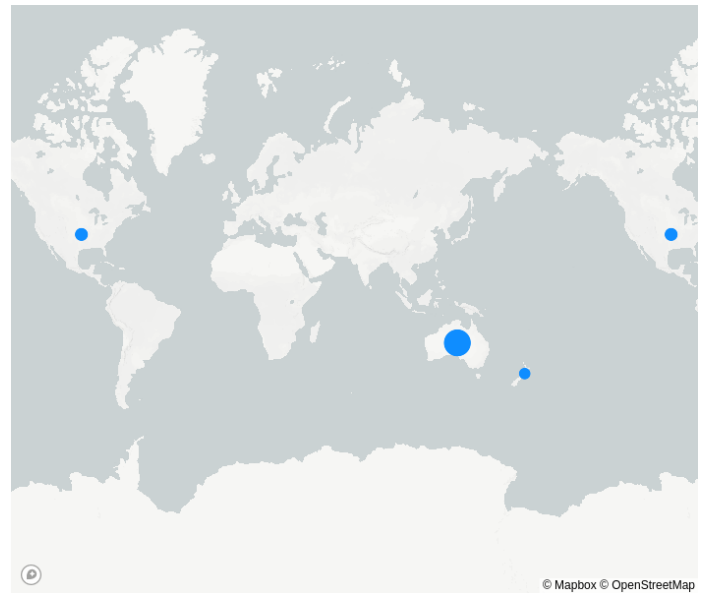
Holdings as at 31 Mar 2024

Stock	Weight	Country	Sector	Active Exposure
BHP GROUP LTD.	11.98%	Australia	Basic Materials	2.69%
CSL	7.34%	Australia	Healthcare	1.58%
Australia and New Zealand Banking Group	7.30%	Australia	Financials	3.65%
Rio Tinto	5.78%	Australia	Basic Materials	3.90%
Telstra Corporation	5.58%	Australia	Technology	3.74%
QBE Insurance Group	4.82%	Australia	Financials	3.70%
Woodside Energy Group Ltd	4.12%	Australia	Energy	1.72%
ResMed	3.83%	USA	Healthcare	3.09%
Commonwealth Bank of Australia	3.55%	Australia	Financials	-4.79%
Santos	3.46%	Australia	Energy	2.42%
Total	57.76%			

Equity sector exposure



Equity country exposure





Fund commentary

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 Brad Potter or Jason Kim 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 2024, Tyndall managed approximately \$A 7.1 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 17 billion, as at 31 May 2024). 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.

Concentration risk: Zenith notes that the Fund is relatively concentrated, expected to hold between 20 and 35 stocks. Zenith believes that concentrated portfolios have a greater level of stock-specific risk and, as such, investors should be cognisant that the Fund may experience capital volatility in excess of a more diversified strategy and the benchmark. However, we note that the portfolio has historically been managed at the upper limit of its 20 to 35 stock range.

Portfolio manager focus risk: In addition to this Fund, the portfolio managers are responsible for other investment strategies. While Zenith acknowledges that there is material level of overlap between the strategies, we believe the portfolio managers' other commitments have the potential to draw focus away from this Fund.

Outflow risk: Tyndall has experienced material outflows from the fund over the most recent four-year period, which has the potential to impact portfolio structure and performance. As such, Zenith will continue to look for greater stability in the fund's asset base.

Integration risk: There are risks associated with the integration of Tyndall's Australian business with 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.

Security/asset 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
- 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. The stocks are then ranked based on IRR, with the highest IRR stocks generally being considered for portfolio inclusion. 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.

Responsible investment approach

Tyndall has an established Responsible Investment Policy, last updated in October 2021, that guides its investment decisions. To be in line with industry best practice, Zenith believes Tyndall's responsible investment policy should be updated every 12 months, at a minimum, to reflect the constantly evolving nature of responsible investing. In addition, Tyndall is a signatory of the United Nations-supported Principles for Responsible Investment (PRI).

While the portfolio has no specific exclusions, 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.

Portfolio construction

Portfolio construction is the responsibility of Potter and Kim, 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 generally select stocks with high IRRs whilst selling or avoiding stocks that have low IRRs.

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 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

The Fund will generally hold between 20 and 35 stocks. The Fund is typically fully invested, although it may retain up to 10% in cash. The team assesses any sector exposures that are beyond +/-8% relative to the index, and material deviations at the factor level (except for value, negative size and interest rate sensitivity).

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 that the Fund's investment universe was limited to compliant stocks.

Tyndall's buy and sell decisions are only undertaken if the portfolio managers believe that a change will improve portfolio returns after transaction costs. Portfolio turnover expected to range between 30% p.a. and 70% p.a.

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

Risk management

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 are 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.

Investment fees

	Fund	Sector Average
Total Fees and Costs (RG 97)	0.83% p.a.	0.76% p.a.
Management Fees and Costs	0.80% p.a.	0.67% p.a.
Transaction Costs	0.03% p.a.	0.03% p.a.
Performance fees as at 30 Jun 2023	0.00%	0.08%
Performance fees description	N/A	
Management Cost	0.80% p.a.	0.68% p.a.
Buy / Sell spread	0.20% / 0.20%	0.20% / 0.20%



All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).

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

Overall, Zenith believes the Fund's fee structure is fair, relative to peers, given its stated objectives. In addition, we believe the fees paid over the past three years (ending 30 June 2023) are justified given the Fund's risk-adjusted performance over the same period.

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.

About the fund manager

Organisation

In April 2021, Yarra Capital Management (Yarra) completed an acquisition of Nikko Asset Management Australia Limited (Nikko AM), with Nikko AM taking a 20% equity stake in the combined entity. This partnership enables Nikko AM's global business to gain access to Yarra's investment products, with Yarra assuming responsibility for the distribution of Nikko AM's global suite of products in the Australian market.

The acquisition creates one of Australia's largest independently owned Australian equities and fixed income managers, with approximately \$A 20.5 billion of funds under management as at 31 May 2024.

Tyndall Investment Management (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 2024, Tyndall had funds under management (FUM) of approximately \$A 7.1 billion across its various Australian equity strategies. The Australian Share strategy accounted for approximately \$A 6.3 billion in FUM, including \$A 400 million in the Fund.

Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Brad Potter	Head of Australian Equities	29	22	Sydney, Australia
Jason Kim	Portfolio Manager/Senior Analyst	31	23	Sydney, Australia

Based in Sydney, Tyndall's Australian equities team of 11 is led by Brad Potter. Zenith believes Potter is a strong investor with the requisite experience to lead the team.

The Fund is managed by Potter and Jason Kim under a 50/50 dual portfolio manager structure. Kim joined Tyndall in 2000,

having previously held positions in the Commonwealth Public Service and as a portfolio manager with Deutsche Funds Management. Zenith believes Kim is a proficient investor, who has a strong track record.

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 number of immaterial 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 Potter and Kim 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.

About the sector

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 that focus predominantly on stocks with large market capitalisations. Additionally, the sector is one of the most competitive in the investment landscape, based on the number of managers and strategies available to investors. Zenith expects rated long-only products to outperform the passive index (after fees) over the long 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 highest weightings within the index. 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 a large-cap company if it falls within the S&P/ASX 50 Index, with stocks falling within the S&P/ASX 51 to 100 considered mid-cap companies. Furthermore, Zenith considers stocks that fall within the S&P/ASX 101 to 300 to be small-cap companies.

As at 31 May 2024, 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 30% and Materials approximately 23%. In addition, the top 10 stocks represented approximately 46% of the Index and the top 20 stocks represented approximately 60%.

Sector risks

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

Market and economic risk: A sustained downturn across the Australian equity market is a risk to the absolute performance of funds in the sub-asset class. Additionally, 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 timeframe.

Specific security risk: This is the risk associated with an individual security. The price of common shares in a company may be affected by unexpected changes in company 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 promptly, due to insufficient trading volumes in the Australian equity market. When trading volumes are low, buyers/sellers can significantly impact the price of a security when entering or exiting a position.

Style bias risk: Australian equity managers employ different investment styles such as Growth, Value or Neutral (a combination of Value and Growth). Each style is conducive to certain market conditions. This risk can be significantly reduced by investors adhering to a fund's prescribed investment timeframe.

Capacity risk: High levels of funds under management (FUM) can present additional challenges to an Australian equity manager. High FUM has the potential to restrict a manager's ability to trade efficiently and/or be forced to disclose substantial shareholdings to the market (most common in smaller companies).

Regulatory Risk: All investments carry the risk of being affected by changes to government policies, regulations and laws. Security prices in which funds may have exposure are also subject to certain risks arising from government intervention in the Australian equity market. Such regulation or intervention could adversely affect fund performance.

Administration and operations

Responsible Entity	Yarra Funds Management Limited
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Zenith rating

Report certification

Date of issue: 27 Jun 2024

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

Association & relationship

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Rating history

As At	Rating
27 Jun 2024	Recommended
29 Jun 2023	Recommended
30 Jun 2022	Recommended
24 Jun 2021	Recommended
15 Mar 2021	Recommended
18 Jun 2020	Recommended
20 Jun 2019	Recommended

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

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.



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

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