TYNDALL AUSTRALIAN SMALL COMPANIES FUND.

FUND UPDATE

AS AT
31 AUGUST 2024

Fund Performance (%)

	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	Since Inception p.a
Fund growth return	-0.97%	-3.97%	-3.16%	1.06%	--	5.89%
Fund distribution return	-0.00%	8.95%	9.03%	9.67%	--	7.45%
Total Fund (net)	**-0.97%**	**4.98%**	**5.87%**	**10.73%**	**--**	**13.34%**
Benchmark return	-2.02%	-0.01%	1.52%	8.51%	--	9.33%
Excess Return	1.05%	4.99%	4.35%	2.22%	--	4.01%

Source: Citi. Fund growth return is the change in redemption prices over the period. Fund distribution return equals Total Fund minus fund growth return. Fund net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions.
Past performance is not an indicator of future performance. Benchmark: S&P/ASX Small Ordinaries Accumulation Index. Inception date: March 2023.

The Tyndall Australian Small Companies Fund outperformed the benchmark over the month. The Fund returned -0.97% (net of fees) for the month, compared to the benchmark return of -2.02%. Since its inception in March 2023 the fund has returned 13.34% compared to the benchmark return of 9.33%.

Key contributors to relative performance:

- **Zip Co** outperformed after delivering a very strong FY24 results, highlighting the continued market share gains in the USA. Buy Now Pay Later products have very little market share in the US, and this provide a long-term structural runway for growth. In addition, the company's strong execution allowed management to increase its 2 year financial targets, resulting in earnings upgrades.
- **WA1 Resources** outperformed on limited new news, albeit the company did present at an industry and investor forum in the month. We are attracted to WA1 for its high quality niobium deposit located in an attractive jurisdiction (WA). Niobium plays a crucial role in high quality steel production, with the potential to also be an important component of the shift to electrification.

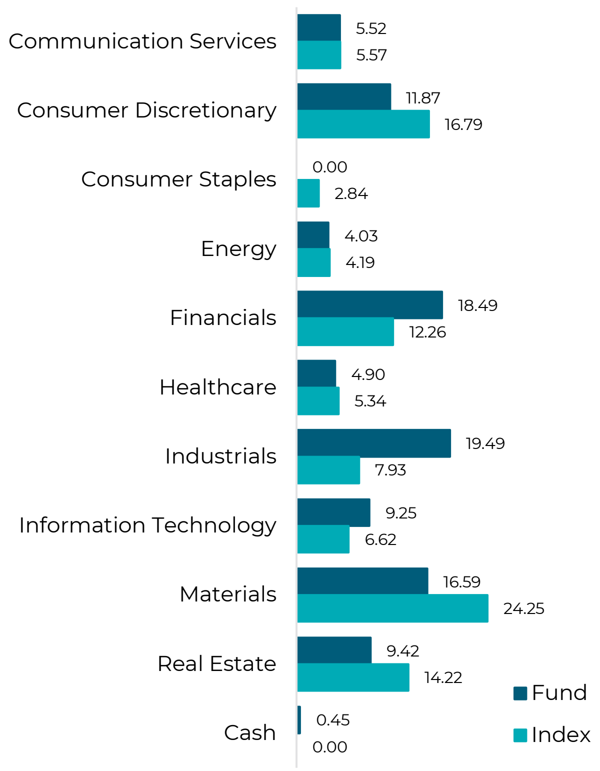
Key detractors from relative performance:

- **PWR Holdings** delivered a solid result, but the outlook for higher costs, resulting in an expected flat FY25 earnings guidance, disappointed the market. While we anticipated a step up in costs, the quantum did surprise us and we are reassessing our investment thesis.
- **Kelsian** delivered a solid operational result, but disappointed the market with more than twice the amount of capex guidance for FY25a. The resulting D&A and interest rate uplift from the higher capex led to a 10% earnings downgrade, while the share price fell even further, implying multiple compression on an already depressed multiple.

Top 5 Holdings

Security Name	% of Fund
AUB Group	4.42
Arena REIT	4.15
Jumbo Interactive	3.98
Centuria Capital	3.71
Smartgroup	3.50

Sector Exposure (%)



Fund Metrics

	Fund	Benchmark
FCF Yield	8.1%	7.2%
Price/Earnings	14.9x	15.9x
2 Year EPS Growth	24.0%	25.6%
ROE	12.9%	9.0%
Beta	0.9	
Tracking Error	6.9%	

Source: Quant Answer, Tyndall

Portfolio Changes

During the month we initiated a position in Jumbo Interactive and Arena REIT, and exited Aspen Group and Attura.

Jumbo Interactive is an online reseller of lotteries. The company has all the attributes we like in an investment, namely a founder led business, structural growth opportunities, a dominant market position, and high earnings margins and great financial returns. The market selling Jumbo aggressively after the company disappointed in its managed services division (which makes up less than 10% of Jumbo's valuation) provides an opportunity to buy a structural compounder at less than 20 times earnings.

We initiated a position in Arena REIT via its discounted equity raising to fund further growth options. Arena owns a large portfolio of childcare assets with terms extremely favourable to the landlord. Long term weighted average lease expiries, triple net leases (the tenant pays all expenses including real estate taxes, building insurance etc in addition to paying the cost of rent and utilities), and the majority of leases with rent escalators that are the higher of CPI or an agreed fixed amount. With favourable lease terms like that, it is little wonder that Arena is one of the very few REITs that was able to grow earnings and dividends throughout the COVID period.

Aspen was exited following a strong result and commensurate share price appreciation. While we are of management and the business model, we believe the discounted offering from Arena REIT presents a better risk-reward proposition for investors from a portfolio perspective.

Attura was exited following a strong result and value realisation.

Insights from the Portfolio Managers

Reporting period is usually a volatile period for equity markets, and this month was no different. A mixed economic backdrop permeated into a mixed earnings season. Of the companies that reported, 30% of small cap companies beat market expectations at the earnings per share line, while 29% missed. At the dividend line, 31% of small cap companies beat market expectations, while only 18% missed. With the minor skew towards beats versus misses, one would have expected the small cap index to post small gains, rather than the 2% fall. Explaining the fall in the small cap benchmark can be isolated to the outlook statements and guidance provided by companies, with 18% of companies upgrading earnings guidance and 23% upgrading dividend guidance, while 40% of companies downgraded earnings guidance and 34% downgraded dividend guidance. The negative share market reaction to forward guidance rather than actual earnings delivered is a stark reminder that markets are forward looking, and it is tomorrow's earnings and the multiple that you pay for those earnings, that is crucial to a portfolio's future returns.

With the earnings season backdrop in mind, our performance for the month was bittersweet. While we are always happy to outperform for the month, we are cognisant that to our investors (and us as the largest investors in the fund) absolute performance is important. That said, capital preservation is an important part of investing so that one is in a position to participate in equity rallies when they eventuate. While interest rates cuts in Australia have probably been pushed out into next year, it is our belief that when the RBA does eventually act it will be to reduce interest rates. As we have seen from the earnings season, the market is forward looking, and so a hint of interest rate cuts will most likely be a catalyst for the outperformance of small cap equities, a move already seen in the USA. With a portfolio of undervalued quality businesses, we believe the fund is well positioned to preserve capital in these volatile times while having ballast to participate in an equity upswing should that eventuate.

ESG is incorporated into each and every valuation

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
James Nguyen

Asset Allocation

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

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.

Minimum Investment
AUD 10,000 or platform nominated minimums

Buy/Sell Spread
0.30%/0.30%

Distribution Frequency
Half yearly

Fund Size
AUD 2.27 million

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