# TYNDALL AUSTRALIAN SMALL COMPANIES FUND.

## FUND UPDATE

AS AT
30 NOVEMBER 2024

### Fund Performance (%)

| | 1 Month | 3 Months | 6 Months | 1 Year | 3 Years p.a. | Since Inception p.a |
|---|---|---|---|---|---|---|
| **Fund growth return** | 1.49% | 7.81% | 3.52% | 15.83% | -- | 9.73% |
| **Fund distribution return** | 0.00% | -0.00% | 9.65% | 11.08% | -- | 6.55% |
| **Total Fund (net)** | **1.49%** | **7.81%** | **13.18%** | **26.91%** | **--** | **16.28%** |
| **Benchmark return** | 1.32% | 7.29% | 7.28% | 19.88% | -- | 12.45% |
| **Excess Return** | 0.17% | 0.51% | 5.89% | 7.04% | -- | 3.83% |

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 1.49% (net of fees) for the month, compared to the benchmark return of 1.32%. Since its inception in March 2023 the fund has returned 16.28% compared to the benchmark return of 12.45%.

Key contributors to relative performance:

- **Hansen Technologies** outperformed for the month after providing a solid trading update at its AGM. Pleasingly the company's update for the acquired business Powercloud shows pleasing progress on the integration with cost restructuring aimed at moving the business from loss making to breakeven in the near future.
- **Maas Group** outperformed post an equity raising to acquire three construction material assets. The company has a long history of acquiring businesses and driving efficiency gains. Our expectations is these acquisitions, and in particular the Illawarra assets that will benefit from the scale advantages of Maas's existing Sydney assets, will be no different.

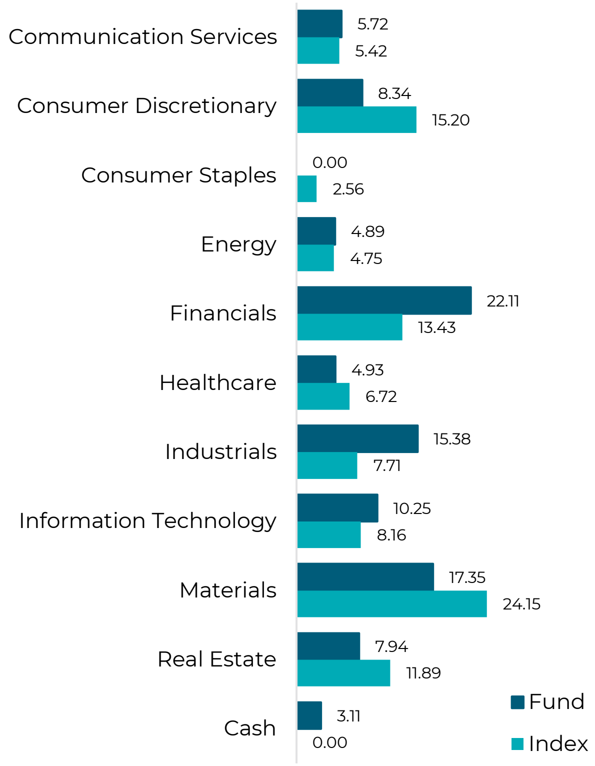
Key detractors from relative performance:

- Our underweight to **Sigma Healthcare** detracted from performance as the stock continues to appreciate ahead of the Chemist Warehouse merger. While Chemist Warehouse is a fantastic business, we struggle with the valuation implied by the market, with Sigma now trading on almost 60x two year forward earnings.
- **Environmental Group** detracted from performance after downgrading earnings guidance by 15% on the back of a contract error resulting in cost overruns that could not be recouped. While the contract error is disappointing, we have spent time with management to understand the issue better, as well as the controls put in place by the company to ensure the error is not repeated. For a business still expected to deliver +10% EBITDA growth in FY25 (post the downgrade), trading on 8x EV/EBITDA, with net cash on balance sheet, and the per- and polyfluoroalkyl substances (PFAS) optionality, we believe the market's 25% sell off was an overreaction to a one off issue, and took the opportunity to top up our holdings.

## Top 5 Holdings

| Security Name | % of Fund |
|---|---|
| Jumbo Interactive | 4.08 |
| Centuria Capital | 3.73 |
| Zip Co | 3.61 |
| AUB Group | 3.58 |
| Gold Road Resources | 3.11 |

## Sector Exposure (%)




## Fund Metrics

| | Fund | Benchmark |
|---|---|---|
| FCF Yield | 8.0% | 6.8% |
| Price/Earnings | 15.3x | 16.2x |
| 2 Year EPS Growth | 28.7% | 27.4% |
| ROE | 11.9% | 9.3% |
| Beta | 0.9 | |
| Tracking Error | 6.6% | |

Source: Quant Answer, Tyndall

## Portfolio Changes

During the month we initiated a position in Data 3 and Cuscol, funded from exiting positions in Kelsian and Dicker Data.

Data 3 partners with leading software providers like Microsoft to provide IT consulting, project services and managed services to enterprises and government agencies. We are attracted to Data 3's exposure to the structural tailwind of IT spend, and particularly software spend, which is expected to grow by double digits in the next 12-24 months. The recent share price weakness provides an opportunity to buy a quality earnings compounder at a reasonable multiple.

The portfolio participated in the IPO of Cuscol, a payments infrastructure provider. The company has been in operation since 1977 and has been led by CEO Craig Kennedy since 2008. We are attracted to the medium-term organic growth opportunities for Cuscol through the continued growth of digital and card payments (versus cash), the continued loss of market share in credit cards and acquiring from the big 4 banks (Cuscol provides the infrastructure for many of the non-major competitors), and the potential upside from demand in data security. With low double digit earnings growth forecast in the medium term, and priced at 13x forward earnings, we believe Cuscol is an attractive opportunity for our investors.

Kelsian has been a serial disappointment for the fund, with depreciation and amortization reporting issues, capex blowouts, and now an upcoming change of management. While there is risk that we are throwing the baby out with the bathwater, the lack of free cash flow in the next 12 months means we lack visibility on what will turn sentiment around so have decided to deploy our capital elsewhere.

We decided to exit Dicker Data given our due diligence indicated that the IT hardware replacement cycle continues to lag market expectations as corporates manage their budgets.

## Insights from the Portfolio Managers

Last month was a big month in terms of macroeconomic news, with none larger than the US elections. The victory by Trump has put a rocket under the markets, with the US S&P500 up 8.0% and the Russell 2000 (US small caps) up 11.1%. In Australia the ASX200 is up 4.9% since the election, while the Small Ords is up a more modest, but still impressive, 3.0%. That said, once we scratch below the surface and break down the composition of returns, we can see that the Small Industrials was up 5.2% and closer to the other benchmark returns, while small cap resources fell -2.6%. Given threats of tariff increases on Chinese products, and an underwhelming Chinese fiscal stimulus announcement, the lag in resources was no surprise.

We can look at the last month and say markets have been strong, industrials have been very strong, resources have been weak, and write a narrative that Trump is good for the economy and bad for China related stocks. But if we look at Trump's first term in 2017, for the first 3 months and 12 months, resources significantly outperformed their industrial counterparts even with the introduction of tariffs.

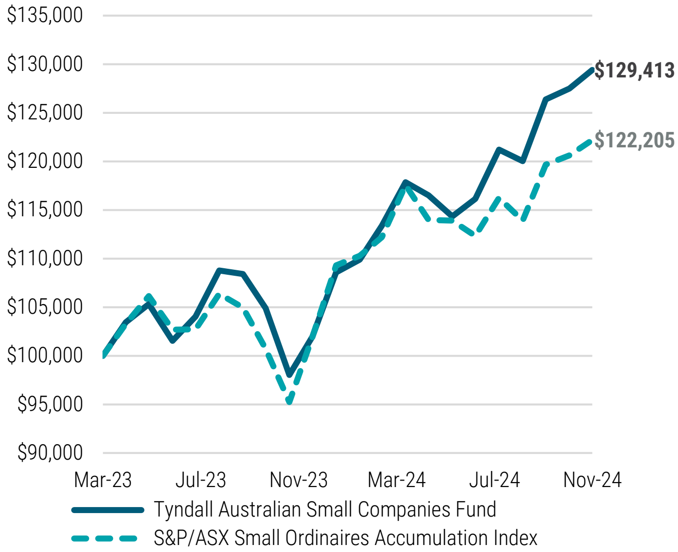
In addition, the past month has seen the yield on US 10 year treasuries go from 3.7% yield to 4.2%. Historically that would be seen as a negative for equities, and a big negative for small caps. Given the fact that small caps have outperformed large caps in the US, I think with hindsight there is a tendency to pick the narrative that suits the observation, so we focus on Trump's positive impact to corporate earnings rather than the risk of inflation and higher interest rates.

The point of highlighting this is that we don't believe we possess unique abilities to call macroeconomic or geopolitical outcomes let alone the ability to consistently make money for our investors on the back of these outcomes. Rather, we believe hard work focused on gaining insights into companies or bottom up stock analysis is where our competitive advantage lies. Our core investment philosophy is that quality companies that can compound earnings growth, and are purchased at a reasonable price, are great investments regardless of whether the Democrats or Republicans are in power. With this approach, in a macro driven environment where we have little insights into US political election outcomes, we have managed to deliver outperformance for our clients and look forward to continuing to do so.

**ESG is incorporated into each and every valuation**

## Investment performance comparison of $100,000

After fees, since inception of the Tyndall Australian Small Companies Fund, March 2023 to November 2024.




For illustrative purposes only. Past performance does not guarantee future results, which may vary. The total net fund returns shown are post fees, pre tax using redemption prices and assume reinvestment of distributions. They do not take personal taxation into account. The comparison with the S&P/ASX Small Ordinaries Accumulation Index is for comparative purposes only. Note that the minimum initial investment amount for the Tyndall Australian Small Companies Fund is $10,000.

## 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 2.55 million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