TYNDALL AUSTRALIAN SHARE INCOME FUND.

FUND UPDATE

AS AT
31 DECEMBER 2022

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	-5.13	5.43	4.04	-1.60	3.34	-1.44	2.58	-1.73	-0.12	1.89
Fund Distribution return	2.37	2.63	2.78	6.72	6.65	5.90	5.97	6.33	7.09	6.62
Total Fund return (net)*	-2.77	8.06	6.82	5.11	10.00	4.46	8.55	4.61	6.97	8.52
Fund grossed up dividend yield				9.13	9.38	8.22	8.11	8.91	8.96	8.79

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). YIML 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 outperformed the broader equities market during the month (on a net basis).

The Fund has delivered a grossed up dividend yield of 9.13% 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:

- **Rio Tinto** rallied on the back of iron ore performing well on a weaker USD, and hope that an end to China's COVID zero policies will lead to improved demand in 2023.
- **QBE Insurance** rose in a falling market. As the Fed quashed hopes that rates have peaked, investors appreciated the fact that QBE benefits from the higher rates that drive returns on its insurance float. The pricing environment also continues to be strong for insurers globally.
- **Insignia Financial** contributed to performance, with its shares holding up in a falling market. There was no stock specific news but John Wylie's Tanarra Capital did file as a substantial shareholder during the month.
- **G8 Education** finished the year strongly with a trading update instilling confidence that operations were normalising after three years of covid disruption. Occupancy was in line with expectations and although staffing remains tight there are signs of improvement. Most importantly supply growth remains constrained at a time when the industry will get demand support from increased childcare subsidies.
- **Lendlease** contributed to performance despite no stock specific news. The share price recovered some of its losses from the prior month.

Key detractors from absolute performance over the month:

- **Downer EDI** detracted from performance. The company underperformed following a trading update which included the disclosure of an accounting anomaly and revised profit guidance.
- **National Australia Bank** and **ANZ Bank** detracted from performance. The bank sector underperformed during December despite the ongoing cash rate increases from the RBA that continues to provide some earning tailwinds. The expectation is that the RBA has a few increases left despite headline inflation rolling over.
- **SkyCity Entertainment** underperformed during the month as AUSTRAC announced it would commence civil penalty proceedings against SkyCity Adelaide. Whilst the market has already assumed a penalty would occur for SkyCity, the certainty that AUSTRAC is now proceeding and fears that the New Zealand regulator would follow with an inquiry of their own has weighed on sentiment for the stock.
- **Woodside Energy** detracted from performance, despite the oil price remaining strong helped by the China reopening thematic. The energy sector underperformed a weak market likely due to profit taking after a strong few months.

Top 10 Holdings

Security Name	% of Fund
BHP Group	8.08
National Australia Bank	7.83
Rio Tinto	5.21
Telstra	5.08
ANZ Bank	4.93
Westpac Bank	4.92
Commonwealth Bank	4.51
Woodside Energy Group	4.18
QBE Insurance	3.14
Coles Group	2.79

Fund Metrics

	Price to Earnings Ratio*	Forecast Dividend Yield (%)*
Fund	12.67	5.33%

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

Franking Levels

Financial year ending		%
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
30 June 2016	(67% on income entitlements)	71.53

Market Commentary

The S&P/ASX 200 Accumulation Index was down 3.2% during the month. Australian equities were amongst the better performers in the month. All major developed markets declined as realisation that the Fed remains on a tightening path saw prior months gains unwind. In local currency terms the DJ Euro Stoxx 50 returned -4.3%, the US S&P 500 returned -5.6%, the UK's FTSE 100 returned -1.5% and Japan's Nikkei 225 returned -6.6%.

Monetary policy settings continued to tighten as the Reserve Bank of Australia (RBA) maintained the pace of increases in line with the prior two months, raising the cash rate target by another 25 bps, to 3.10% in December, matching market forecasts and taking borrowing costs to a level not seen since November 2012. The RBA expects that interest rates will need to increase further in the months ahead to return inflation to within the target range of 2-3%. Future increases, however, do remain subject to the RBA's assessment of the outlook for inflation and the labour market.

Domestic data releases through December continue to point to robust activity levels, albeit with softening in some sectors. The ABS Business Turnover Data indicated 4 of 13 sectors saw a decline in turnover in October, including retail trade which saw its first drop in nine months, as cost pressures and rising interest rates started to weigh in on consumer spending. The unemployment rate in Australia stood at 3.4% in November 2022, unchanged from October's 3-month low, and matching market estimates. CoreLogic's National Home Value Index was down 1.1% in December, taking values -5.3% lower over 2022, the largest calendar year decline since 2008, where values were down 6.4% amid the Global Financial Crisis.

All sectors of the market finished down over the month. The best performing sectors were materials -0.9%, utilities -1.2% and consumer staples -1.8%. The worst performing sectors were consumer discretionary -7.0%, information technology -5.4% and industrials -4.9.

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 Investment Management Limited

APIR Code
TYN0038AU

Portfolio Manager
Michael Maughan, Mal Whitten

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 147.27 million

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

Contact us

Call : +61 2 8072 6300
Email : info@yarracm.com

Level 11, Macquarie House
167 Macquarie Street
Sydney NSW 2000