# TYNDALL AUSTRALIAN SHARE WHOLESALE FUND.

## FUND UPDATE

AS AT
31 DECMBER 2022

### Fund Performance (%)

| | 1 Mth | 3 Mths | 6 Mths | 1 Yr | 3 Yrs p.a. | 5 Yrs p.a. | 10 Yrs p.a. | 15 Yrs p.a. | 20 Yrs p.a. | Since Inception p.a |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fund growth return** | -5.81% | 4.49% | 3.32% | -7.33% | -2.72% | -4.84% | 1.35% | -0.96% | 1.74% | 2.99% |
| **Fund distribution return** | 2.51% | 2.78% | 2.75% | 11.96% | 7.27% | 8.65% | 6.59% | 5.91% | 6.98% | 6.62% |
| **Total Fund (net)** | -3.30% | 7.27% | 6.07% | 4.63% | 4.55% | 3.80% | 7.94% | 4.95% | 8.72% | 9.61% |
| **Benchmark return** | -3.21% | 9.40% | 9.82% | -1.08% | 5.55% | 7.11% | 8.66% | 5.12% | 8.89% | 9.23% |
| **Excess Return** | -0.10% | -2.13% | -3.75% | 5.71% | -1.00% | -3.31% | -0.72% | -0.16% | -0.17% | 0.38% |

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 200 Accumulation Index. Inception date: March 1995.

The Fund underperformed the benchmark over the month.

Key contributors to relative performance:

- **QBE Insurance** outperformed, rising 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.
- **Rio Tinto** contributed to performance, as the iron ore miners rallied, driven by iron ore and other key commodities performing well on a weaker USD and hope that an end to China's COVID zero policies will lead to improved demand in 2023..
- **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..
- **Telstra** contributed to performance despite a negative outcome from the ACCC regarding its planned network sharing with TPG. The company's defensive nature saw it hold up in a falling market.
- Our nil holding in **Macquarie Group** contributed to performance, as the stock underperformed the broader market. There was no company specific news, albeit Macquarie is arguably adversely impacted by higher interest rates given the duration of its assets.

Key detractors from relative performance:

- **Downer EDI** detracted from performance. The company underperformed following a trading update which included the disclosure of an accounting anomaly and revised profit guidance.
- **29Metals** detracted from performance, the stock fell on a weak operating update which guided to 2023 production being significantly lower than market expectations, leading to substantial consensus downgrades.



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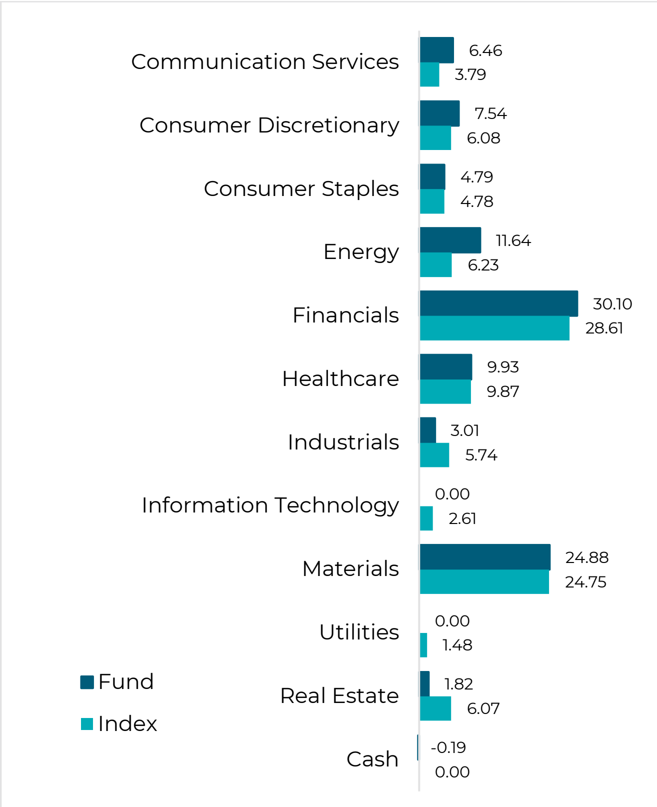
- **SkyCity Entertainment** underperformed during the month as AUSTRAC announced it would commence civil penalty proceedings against SkyCity Adelaide. Whilst the market has already assumed a penalty would occur for SkyCity, the certainty that AUSTRAC is now proceeding and fears that the New Zealand regulator would follow with an inquiry of their own has weighed on sentiment for the stock.
- **Aristocrat Leisure** underperformed despite no new material news. Slot data for Aristocrat's key markets remain strong which provides tailwind for the land-based business. However, industry data shows that the digital games market growth has stagnated after exceptionally strong growth during the pandemic. This slower industry growth profile presents downside risks to market expectations for the Pixel United business.
- Our nil holding in **Fortescue Metals** detracted from performance, as the stock rallied on the strong iron ore price during the month.

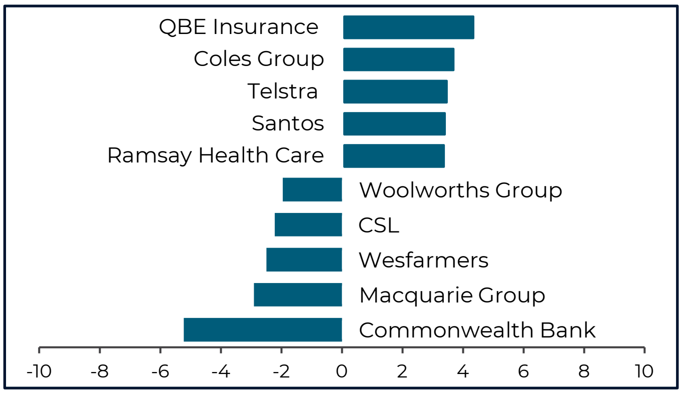
## Top 10 Holdings

| Security Name | % of Fund |
|---|---|
| BHP Group | 11.89 |
| ANZ Bank | 6.37 |
| Westpac Bank | 6.27 |
| Woodside Energy Group | 6.04 |
| Telstra | 5.70 |
| QBE Insurance | 5.35 |
| Coles Group | 4.79 |
| National Australia Bank | 4.68 |
| Santos | 4.56 |
| CSL | 4.43 |

## Sector Exposure (%)




## Top 5 Over/Underweight Positions (%)




## Fund Metrics

| | Price to Earnings Ratio* | Forecast Dividend Yield (%)* |
|---|---|---|
| Fund | 12.01 | 5.06% |
| Benchmark | 14.04 | 4.43% |

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



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## 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 outperform the S&P/ASX 200 Accumulation Index by more than 2.5% p.a. over rolling five-year periods, before fees, expenses and tax.

### Key Facts

**Responsible Entity**
Yarra Investment Management Limited

**APIR Code**
TYN0028AU

**Portfolio Manager**
Brad Potter, Jason Kim

**Asset Allocation**

| | |
|---|---|
| Australian Shares | 80% - 100% |
| International Shares | 0% - 10% |
| Cash | 0% - 10% |

**Minimum Investment**
AUD 10,000 or platform nominated minimums

**Buy/Sell Spread**
0.20%/0.20%

**Management Cost**
0.80% p.a.

**Distribution Frequency**
Half yearly

**Fund Size**
AUD 566.96 million

### Contact us

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