Yarra Ex-20 Australian Equities Fund

Gross returns as at 31 May 2025

	From 25 June 2018^	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.*
Yarra Ex-20 Australian Equities Fund	7.14	5.55	3.34	12.08	10.87	12.34	7.25	8.25
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	7.37	5.58	5.20	14.26	8.50	10.35	N/A	N/A
Excess return (before fees)‡	-0.23	-0.03	-1.86	-2.18	2.37	2.00	N/A	N/A

Past performance is not a reliable indicator of future performance. Taxes payable by investors have not been taken into account. The figures shown have been provided for illustrative purposes – they are unaudited and subject to change. The total returns shown are gross of all fees, meaning they do not reflect the deduction of any investment management fees which would reduce returns and assume reinvestment of all distributions. Investment in the fund is not available on a fee free basis and this should be factored into any analysis of past performance.

Net returns as at 31 May 2025

	From 25 June 2018^	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.*
Yarra Ex-20 Australian Equities Fund	6.17	5.47	3.11	11.08	9.88	11.34	6.16	7.05
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	7.37	5.58	5.20	14.26	8.50	10.35	N/A	N/A
Excess return (after fees)‡	-1.20	-0.11	-2.10	-3.18	1.38	1.00	N/A	N/A

Past performance is not a reliable indicator of future performance. Taxes payable by investors have not been taken into account. The figures shown have been provided for illustrative purposes – they are unaudited and subject to change. The total returns shown are prepared on an exit to exit basis – they include all ongoing fees and expenses and assume reinvestment of all distributions.

^ **Effective 25 June 2018 the Fund's investment strategy, name and benchmark was changed. Performance prior to 25 July 2018 is provided here for consistency purposes only – the historical performance data shown relates to the previous strategy and should not be used to assess past or future performance of the Fund. Performance data relating to the previous strategy is available upon request. Past performance is not a reliable indicator of future performance. Taxes payable by investors have not been taken into account.** The figures shown have been provided for illustrative purposes – they are unaudited and subject to change. The total returns shown are prepared on an exit to exit basis – they include all ongoing fees and expenses and assume reinvestment of all distributions.

* Inception date Yarra Ex-20 Australian Equities Fund: August 2010.

The benchmark for the Yarra Ex-20 Australian Equities Fund has been amended since the Fund's inception. Effective 25 July 2018, the benchmark is the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index, replacing the S&P/ASX 300 Accumulation Index.

‡ Excess return: The difference between the Fund's return and the benchmark return.

Market review

The Australian Ex-20 equities market strengthened during the month. In May the market consolidated further on the gains in April as tensions surrounding Trump's tariff policies eased and tariff pauses, including on Chinese goods, were introduced.

The S&P/ASX 300 Ex-20 Accumulation Index rose +5.6% for the month, taking its 12-month return to +14.3%. The broader S&P/ASX 300 Accumulation Index returned +4.2% for the period. Globally, the MSCI World Index also strengthened, returning +5.9% for the month.

All sectors within the index posted a positive return. The Information Technology sector (+18.8%) posted a sharp increase, with WiseTech (WTC, +21.0%), Technology One (TNE, +36.8%) and Xero (XRO, +12.2%) rising sharply as the enthusiasm around AI continued, along with positive earnings updates.

The Materials sector (+6.8%) was the second largest contributor, with Northern Star Resources (NST, +9.4%) and Evolution Mining (EVN, +13.0%) rising, with earning upgrades continuing despite the gold price remaining relatively flat.

The Industrials sector (+5.6%) was also higher, with Brambles (BXB, +13.0%) and Qantas Airways (QAN, +19.9%) strengthening during the month.

Within the Financials sector (+3.7%), Insurance Australia Group (IAG, +5.2%) and HUB24 (HUB, +15.7%) performed well alongside the majority of financial stocks, while Judo Capital (JDO, -19.9%) and Insignia Financial (IFL, -11.3%) detracted.

Gains in defensive sectors such Consumer Staples (+1.1%) were muted during the month consistent with the market rally.

Key Contributors

Tabcorp (TAH, overweight) – the wagering operator outperformed during the period after a strong May update which confirmed a modest improvement in turnover (in contrast to peers Flutter/Entain who reported a challenged 1Q25) and progress on retail initiatives such as In-Play betting. In our view TAH has continued to make meaningful progress on its turnaround, leaving the company well-placed to benefit from an improvement in the domestic wagering market and operating leverage which appears to be nearing an inflection point.

Dyno Nobel (DNL, overweight) – our overweight position added value over the period as the company progressed its strategy of becoming a higher returning (ROIC 6.1% 1H25, trending up) and more focused pure-play explosive player. This followed, as expected, an update on the sale of the company's domestic fertilizer distribution business. The sale has also allowed investors to focus on accretion from its significant buy-back program, which equates to buying back around 14% of current market cap over the coming 12-18 months. Lastly, the stock was also supported by the company's solid 1H25 result, which saw EBIT and NPAT ahead of expectations.

Xero (XRO, overweight) – the accounting software provider outperformed during the month after reporting a solid result which showed the business continues to grow both users and ARPU strongly and is on track to achieve 20% revenue growth in FY26. Management was also optimistic on the prospects of reaccelerating growth in the US, now that the company has a full product suite in that market.

Key Detractors

Treasury Wine Estates (TWE, overweight) – the global winemaking and distribution business underperformed during the period, with management churn, tariff uncertainty and softening US consumer datapoints weighing on expectations for the business. Although guidance was already trimmed towards the bottom-end of the prior range, retailer scan data has indicated a further decline in sell-through, including in US Luxury brands such as DAOU/Frank Family. However, we remain confident on the outlook for Penfolds (>60% EBIT) and believe TWE is approaching an inflection point in its product portfolio which is not captured in the valuation at present (12.5-times FY26 P/E vs 22.9 times 10-year average).

BlueScope Steel (BSL, overweight) – our overweight position in the diversified steel manufacturer was a source of underperformance as US steel tariff expectations eased during the month. US tariffs represent a potential upside risk to US steel spreads and present a material tailwind for BSL's US-based North Star steel mill. Meanwhile, BSL remains a well-managed company with capital management opportunities and valuation upside from both US protectionism and improving macro conditions in China.

Technology One (TNE, underweight) – the enterprise software company outperformed following another solid result demonstrating strong revenue and earnings growth along with encouraging progress in the US and UK markets, which are represent relatively new jurisdictions. Despite the positive business momentum, we find the 52-times EV/EBITDA and 97-times P/E prohibitive and see better relative opportunities elsewhere in the high growth technology space.

Market outlook

May saw a sharp recovery in both global and local equity markets, driven by a combination of US tariff policy reversals, strong earnings from the US tech sector, and progress through the House of Representatives of the "One Big Beautiful Bill Act", that would enact President Trump's tax and spending priorities. The strength of the rally is somewhat surprising given the weakening tone in US economic data, recent downward earnings revisions and ongoing policy uncertainty. Nevertheless, the Australian equity market performed strongly, with the S&P/ASX 200 gaining 4.2%. S&P/ASX Small Caps also kept pace with global equities, rising 5.8% and 5.9% respectively.

Other asset classes recorded mixed performance in May. Global bonds declined 0.4%, with yields rising amidst Moody's downgrade of the US's last perfect credit rating over concerns about the government's ability to repay its debt. Australian fixed interest returned 0.2%, led by corporate bonds as spreads compressed amid rising risk sentiment. The strong gold price rally paused, but gold remains up a remarkable 25% calendar year to date. The Australian dollar also continued its recovery, appreciating 0.5% month-on-month and 3.6% over the past three-months.

From our perspective, financial markets are adopting an overly optimistic assessment of how little damage US policy volatility will have on the real economy. While equity markets have quickly priced in President Trump's preponderance to back down from his policy threats – referred to by some market participants as the "TACO trade" (Trump Always Chickens Out) – the true impacts of higher prices and slower economic growth is likely to only be revealed through the second half of 2025.

Locally, Australia's fragile economic recovery again disappointed in the March quarter, with subdued consumption keeping economic growth to just 0.2% quarter-on-quarter and 1.3% year-on-year. However, we believe that the Reserve Bank of Australia (RBA) has now set its course to return interest rates to a neutral setting and will ultimately implement a deeper rate cutting cycle than expected. Our rationale is that the RBA staff's assessment of the 'neutral rate' of interest has been lowered by around 50bps. In addition, with the RBA forecasting underlying inflation to remain near the mid-point of its inflation target, it's clear the RBA is preparing to reduce interest rates steadily until it approaches the 'neutral' rate.

It is also worth noting that that the RBA has adopted an optimistic outlook on China's ability to withstand a trade war with the US and has put more weight on the currency as a transmission path for monetary policy. The implication being should China's growth data falter or the Australian dollar appreciate meaningfully, then the case for earlier and deeper rate cuts will strengthen.

This is good news for Australian-based risk assets. We expect the main beneficiaries to be the housing construction and consumer sectors. However, the unusual combination of the prospect of lower interest rates and a higher Australian dollar could provide powerful a amplifying effect for smaller companies and will likely sustain offshore investor interest in Australian assets. Should US economic data continue to soften in coming months, Australia appears well-placed to benefit both economically and from a financial market perspective.

We are most overweight stocks within the Communication Services, Utilities and Materials sectors and underweight Real Estate, Industrials and Energy.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	13.03	4.89	8.13
Consumer Discretionary	6.39	6.81	-0.41
Consumer Staples	3.33	2.84	0.50
Energy	0.00	2.69	-2.69
Financials	14.62	14.52	0.11
Health Care	9.49	11.90	-2.41
Industrials	4.00	14.59	-10.59
Information Technology	9.34	8.64	0.70
Materials	19.63	19.05	0.57
Real Estate	3.70	10.72	-7.02
Utilities	9.54	3.36	6.18

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Northern Star Resources	6.56	2.75	3.81
ResMed	5.92	2.13	3.80
IAG	5.42	1.93	3.49

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
Block	4.40	0.45	3.94
Northern Star Resources	6.56	2.75	3.81
ResMed	5.92	2.13	3.80
Underweights			
Brambles	0.00	3.03	-3.03
Computershare	0.00	2.12	-2.12
Suncorp Group	0.00	2.11	-2.11

Portfolio holdings may not be representative of current or future investments. The securities discussed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not be profitable.

Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	9.37	7.80	9.34	3.74
Distribution return	1.71	2.08	2.00	2.42

The Growth Return is measured by the movement in the Fund's unit price, ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders by way of income distribution in a 12-month period. It does not include capital distributions.

Features

Investment objective	To achieve medium-to-long term capital growth through exposure to Australian Securities Exchange listed securities excluding the largest 20 by market capitalisation (as defined by the S&P/ASX 20 Index). In doing so, the aim is to outperform the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index over rolling 3-year periods.	
Recommended investment time frame	5 - 7 + years	
Fund inception	August 2010	
Fund size	A$111.8 mn as at 31 May 2025	
APIR code	JBW0052AU	
Estimated management cost	0.90% p.a	
Buy/sell spread	+/- 0.15%	
Platform availability	BT Panorama Hub24	Praemium

Applications and contacts

Investment into the Yarra Ex-20 Australian Equities Fund can be made by Australian resident investors only.

Website www.yarracm.com

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