

# Yarra Australian Smaller Companies Fund

## Gross returns as at 28 February 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception* % p.a.
Yarra Australian Smaller Companies Fund	-5.25	-3.86	13.46	11.27	7.90	10.67
S&P/ASX Small Ordinaries Accumulation Index	-2.57	1.53	23.05	12.50	6.60	8.20
Excess return (before fees) †	-2.68	-5.39	-9.59	-1.23	1.30	2.46

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 28 February 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception* % p.a.
Yarra Australian Smaller Companies Fund	-5.31	-4.06	12.51	10.34	6.99	9.73
S&P/ASX Small Ordinaries Accumulation Index	-2.57	1.53	23.05	12.50	6.60	8.20
Excess return (after fees) †	-2.75	-5.59	-10.54	-2.16	0.40	1.53

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 Australian Smaller Companies Fund: August 2020.

† Excess return: The difference between the portfolio's return and the benchmark return.

### Market review

The Australian small-cap equities market fell during the month of February.

The S&P/ASX Small Ordinaries Accumulation Index returned -2.6% for the month, taking its 12-month return to +23.0%. The broader S&P/ASX 300 Accumulation Index returned +3.9%, whilst globally, the MSCI World Index delivered +1.0% for the month.

Materials (+2.4%) was the largest sector contributor driven by positive commodities sentiment. Strength was led by Iluka Resources (ILU, +25.9%) and Regis Resources (RRL, +17.1%).

Industrials (+1.3%) contributed, supported by NRW Holdings (NWH, +25.5%), Kelsian Group (KLS, +16.2%) partly offset by Austal (ASB, -25.9%) and Reliance Worldwide (RWC, -11.4%).

Consumer Discretionary (-10.0%) was the largest detractor. Weakness was widespread across retail and leisure names, led by IDP Education (IEL, -26.1%), Flight Centre Travel (FLT, -20.4%) and WEB Travel Group (WEB, -30.1%). Lovisa Holdings (LOV, -22.8%) and Nick Scali (NCK, -24.1%) also detracted, while Tabcorp Holdings (TAH, +20.9%) provided some offset.

Financials (-7.4%) detracted with pressure across consumer finance and insurance. Zip Co (ZIP, -27.9%) and HMC Capital (HMC, -33.8%) declined sharply, while AUB Group (AUB, -16.1%) and Generation Development Group (GDG, -13.6%)

also weighed on returns. GQG Partners (GQG, +20.4%) offered a partial offset.

Information Technology (-8.8%) fell as investors focused on AI led disruption within the sector. Stocks that fell sharply included Megaport (MP1, -24.2%), Data#3 (DTL, -28.7%) and SiteMinder (SDR, -29.1%). Gentrack Group (GTK, +6.9%) provided some support.

Health Care (-9.5%) fell following a weak reporting season. Declines in Mesoblast (MSB, -11.5%), Healius (HLS, -23.9%) and Neuren Pharmaceuticals (NEU, -21.8%) weighed on returns, while Regis Healthcare (REG, +3.6%) provided limited support.

Energy (-5.0%) detracted with weakness across uranium and energy names including Deep Yellow (DYL, -7.4%) and Lotus Resources (LOT, -28.2%). New Hope Corporation (NHC, +4.0%) provided a modest offset.

### Portfolio review

#### Key Contributors

**Chrysos Corporation (C79, overweight)** – the mineral assay technology company outperformed during the period driven by strong financial performance and supportive industry conditions including high gold prices. The 1H26 results were strong with revenue increasing +49% (y/y) and EBITDA +152% (y/y) with a continued positive outlook. Our positive C79 view

is underpinned by the company only having 5% global market penetration in a market in which the company is a clear market leader.

**Imdex (IMD, overweight)** – the mining technology company outperformed during the period driven by strong financial performance and supportive industry conditions including higher gold and copper prices. The 1H26 results were strong with revenue increasing +16% y/y and EBITDA +22% y/y with a continued positive outlook. Our positive view of IMD is underpinned by the significant global market share opportunity for its portfolio of market leading mining technologies.

**Kelsian Group (KLS, overweight)** – the bus and tourism provider had a stronger than expected 1H26 result which led to FY26 earnings guidance being upgraded. The stronger than expected 1H26 result was underpinned by the US bus division which lead to international reported revenue growth of +21% y/y and EBITDA growth of +47% y/y. We remain positive on KLS as we believe the bus businesses in Australia and the US will continue to generate earnings growth going forward given the defensive nature of existing contracts, new contract opportunities and cost pass through. There is also an opportunity to redeploy capital from lower returning Tourism assets to industry consolidation opportunities in the US.

### Key Detractors

**Amplitude Energy (AEL, overweight)** – the gas producer underperformed during February on news flow that the Elanora-1 exploration well failed to discover gas to support the company's planned East Coast Supply Project. We note the follow-up Isabella-1 well, intersected gas shortly after month end. We remain attracted to AEL as the leading small-cap exposure to the compelling east coast gas thematic.

**AUB Group (AUB, overweight)** – the insurance broker underperformed during the period despite upgrading earnings guidance for FY26. The underperformance of AUB could in part be explained by a further moderation in the insurance premium rate cycle which fell to low single digit growth in the December quarter. We continue to hold the AUB position given defensive growth in Australian retail broking, international growth through the Tysers platform including into UK retail broking and hidden value in the high growth Bizcover business. AUB continues to trade at a material discount to global broker peers, offering significant valuation upside.

**Megaport (MPL, overweight)** – the global software defined network provider underperformed during the period consistent with the broader underperformance of the technology sector, despite being a beneficiary of AI adoption. The underperformance of MP1 could also be partly explained by the negative consensus earnings revisions from currency adjustments. We remain positive on MP1 within the core global software defined network business given accelerating demand supported by cloud and AI growth with upside from new products and improving go to market execution.

## Market Outlook

Australian equity markets delivered a strong performance in February 2026, underpinned by robust corporate earnings, supportive commodity prices, and renewed confidence in domestic growth momentum. These positives outweighed the headwind from the Reserve Bank of Australia (RBA) with equity markets reaching fresh record highs and the Australian dollar appreciating further over the month. The ASX 200 Index returned 4.1% in February, completing the strongest two month start to a calendar year since 2019. Large resource companies led the gains, rising with the S&P/ASX 200 Resources and Small Resources producing returns of 8.7% and 0.9%, respectively. The S&P/ASX 100 outperformed the Small Ordinaries by 7.4%.

In comparison, global equities returned 0.7% in February; however, for unhedged investors, the 2.2% rise in the Australian dollar during the month resulted in a decline of 1.4%. This is the third month of sequential declines for unhedged global equity holders.

Bond holders had a solid month of returns in February, with returns of 0.9% m/m for domestic fixed income, while global bonds returned 1.1%. Rising inflation concerns in Australia ultimately encouraged the RBA to act on its tightening bias in February with a 25bp hike, and this helped underpin demand for inflation-linked bonds which returned 1.1% in February. Strength in commodity prices also stoked inflation concerns, with commodity prices rising 2.4% in February, following a 9.8% surge in January. A 7.9% rise in gold prices during the month was a main contributor to the rise.

Rising concerns over a potential conflict with Iran became evident later in the month and overshadowed February's reporting season which exceeded consensus expectations overall. Earnings upgrades outnumbered downgrades, particularly in the resources and financial sectors. Consumer exposed sectors showed more mixed results as cost-of-living pressures weighed on volumes.

**Looking forward, the escalation of the Iran conflict will dominate near term market movements, however, rising solvency concerns over some private credit funds and the escalation of disruption fears from AI are also important developments. From Australia's perspective, the combination of a rapid decline in the economy's dependence upon crude oil and the rise in the Australian dollar should contain the economic shock of higher oil prices to a relatively modest jump in retail fuel prices. A \$10 per barrel rise in oil prices translates to a 6c rise in retail petrol prices. Given petrol has a 3.4% weighting in the CPI, the initial impacts of oil prices stabilising around \$95 per barrel are quite small. The overall economic impacts are even less, given Australia's large export presence in LNG markets which benefit from oil-price linkage contracts.**

Domestically, the main focus has been that strong upward revisions to Australia's GDP growth have

collided with the RBA's fear that Australia was already growing in excess of its 'potential' economic growth. Despite the RBA noting that most of the inflationary pressure in Australia is currently one-off sector specific pressures that will soon moderate, they are increasingly concerned that future inflation may be higher than projected particularly should inflation expectations become unanchored. **At this stage**, there is no evidence **that** longer term inflation expectations have moved but there is evidence that consumer confidence has fallen precipitously. The **risk of a further** hike in May can't be dismissed; however, financial conditions have tightened sharply during the past month, and we expect **both** activity and **labour market** data to cool in coming months.

Our forecast for the Australian dollar to exceed US75c by mid-2026 will further tighten financial conditions and ultimately, we think that this will contribute to the reason why the RBA will remain on hold. In concert with our forecast for two rate cuts by the U.S. Federal Reserve in 2H26 and solid consensus earnings growth expectations, we remain of the view that equity markets will provide around a 10% return in 2026, albeit if most of those gains occur late in the calendar year. Volatility across financial markets is likely to persist through the June quarter, however, we expect financial markets to focus more on earnings than geopolitics as a driver of returns as the year progresses.

We are most overweight stocks in the Financials, Health Care and, Communication Services sectors and are underweight Materials, Energy and Consumer Staples.

## Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	5.24	4.88	0.36
Consumer Discretionary	9.97	10.66	-0.69
Consumer Staples	1.44	2.76	-1.32
Energy	2.80	7.40	-4.60
Financials	17.21	9.87	7.34
Health Care	6.47	3.87	2.61
Industrials	13.55	13.32	0.23
Information Technology	5.48	5.50	-0.01
Materials	22.71	31.12	-8.41
Real Estate	10.56	10.62	-0.06

## Top 3 holdings

	Portfolio %	Benchmark %	Active %
Auckland International Airport	4.25	0.95	3.30
Bellevue Gold	4.03	0.85	3.18

## Key active positions

Overweights	Portfolio %	Benchmark %	Active %
Auckland International Airport	4.25	0.95	3.30
Imdex	3.91	0.68	3.23
Bellevue Gold	4.03	0.85	3.18
Underweights			
Westgold Resources	0.00	2.30	-2.30
Greatland Resources	0.00	2.27	-2.27
Regis Resources	0.00	2.25	-2.25

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.

## Features

Investment objective	To achieve medium-to-long term capital growth by investing in a diversified portfolio of smaller Australian companies. In doing so, the aim is to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling 3-year periods.
Recommended investment time frame	5 - 7 + years
Fund inception	August 2020
Fund size	A\$103.0 mn as at 28 February 2026
ARSN code	642 665 263
Estimated management cost	0.85% p.a.
Buy/sell spread	+/- 0.30%

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