

Yarra Global Small Companies Fund

Total returns as at 30 September 2018

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Global Small Companies Fund	-1.58	4.69	21.35	13.89	15.79	11.20	7.81
MSCI World Small Cap Index in A\$ [^]	-1.48	4.11	19.48	13.79	15.09	10.92	7.81
Excess Return [‡]	-0.10	0.57	1.87	0.10	0.70	0.29	0.00

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.

Due to differences in business dates at month end, Fund performance returns are provided as at 27 September 2018, and benchmark performance returns are provided as at 30 September 2018. The monthly, quarterly and annual performance returns have been impacted.

[^] Inception date of Yarra Global Small Companies Fund: November 1999.

[^] Effective 8 February 2016, the benchmark for the Yarra Global Small Companies Fund is the MSCI World Small Cap Index net of dividend withholding taxes, measured in A\$.

[‡] Excess return: The excess return figures shown represent the difference between the Fund's return and the benchmark.

Market review

The MSCI World index rose in September, ending the quarter significantly up.

US equities rose strongly over July due to positive earnings announcements by major companies. The upward trend continued in August, due to an upward revision of US second quarter GDP growth to 4.2%, and in September after the Federal Reserve predicted steady economic expansion.

European equities rose in July as the trade tensions eased between the US and EU. However, markets fell in August, particularly Italian equities, driven by fears of Italy breaching the EU's deficit limit. But markets recovered in September driven by investor optimism on EU's strong economic data.

Japanese equities rose in July after the EU and Japan signed a free trade deal. However, the markets fell in August as many foreign investors sold their positions, but soon recovered in September after PM Shinzo Abe was re-elected as the leader of the Liberal Democratic Party.

Portfolio attribution

The Yarra Global Small Companies Fund returned -1.58%, underperforming the MSCI World Small Cap (AUD, Net) Benchmark (-1.48%) by 10 bps on a net basis in September 2018.

Amongst our investment themes*, Quality was the sole detractor to the relative returns. Conversely, Sentiment contributed most positively to relative returns followed by Momentum, Management and Valuation. Meanwhile, Profitability was relatively flat for the month.

Among sectors, holdings in the Information Industrials sector detracted the most from the relative returns. Within Industrials, an overweight position in the Professional Services industry detracted the most from relative returns. Conversely, holdings in the Health Care sector contributed most positively to

relative returns for the month. Within Health Care, an overweight position in the Biotechnology industry contributed the most to relative returns.

On an individual stock level, our overweight position in Korn/Ferry International, held mainly due to relatively strong momentum characteristics, was the largest detractor from relative returns. The Los Angeles based management consulting firm's stock price fell after the company announced a steep fall in the earnings. The Company attributed this fall in earnings to a management decision to close several of its sub-brands in favor of unifying their businesses into one consolidated brand.

Conversely, our overweight position in Genomic Health Inc., held mainly due to relatively inexpensive valuations and sustainable sources of earnings, was the largest positive contributor to relative returns. The California based genetic research firm's stock price rose after the company announced the publication of real world clinical data supporting the use of its Oncotype DX Genomic Prostate Score (GPS) test. This test is designed to help provide more specific and individualized information about prostate cancer aggressiveness based on the biology of the patient's tumor. The Company expects to see increased adoption of this test and said that it anticipates a revenue growth of about 50% in prostate GPS. The company projects these revenues to account for approximately 20% of the expected total revenue growth in fiscal year 2018.

Outlook

Looking ahead, we continue to believe that cheaper stocks should outpace more expensive ones and good momentum stocks should do better than poor momentum stocks.

We also prefer names about which fundamental research analysts are becoming more positive and companies that are profitable, have sustainable earnings and use their capital to enhance shareholder value.

* Refer Yarra Global Small Companies Fund PDS for further information regarding key investment themes.

As such, we anticipate remaining fully invested and expect that the value we add over time will be due to stock selection, as opposed to sector or size allocations.

Country allocation

	Portfolio %	Benchmark %	Active %
US	61.60	58.20	3.40
Japan	13.40	11.98	1.42
Canada	6.24	3.71	2.53
UK	4.07	7.00	-2.93
Germany	3.02	2.26	0.76
Switzerland	2.99	1.68	1.31
Norway	1.61	0.78	0.83
Sweden	1.36	2.09	-0.73
Australia	1.35	2.68	-1.33
Italy	1.22	1.41	-0.19
Other	3.14	8.21	-5.07

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	1.69	0.82	0.88
Consumer Discretionary	14.77	13.53	1.24
Consumer Staples	3.38	4.62	-1.23
Energy	6.39	4.50	1.89
Financials	12.26	14.04	-1.78
Health Care	13.73	11.38	2.35
Industrials	15.47	16.89	-1.42
Information Technology	14.02	13.62	0.40
Materials	6.74	7.46	-0.73
Real Estate	9.24	10.44	-1.20
Utilities	2.31	2.69	-0.37

Market cap allocation

A\$ million	Portfolio %	Benchmark %
0 - 400	0.44	0.20
400 - 750	1.68	2.67
750 - 1,500	10.32	9.96
1,500 - 7,500	66.29	67.94
7,500 - 15,000	17.72	17.72
15,000 - 50,000	3.55	1.51
>50,000	0.00	0.00

Top 10 holdings

	Portfolio %	Benchmark %	Active %
WellCare Health Plans Inc	1.37	0.24	1.13
Spirax-Sarco Engineering Plc	1.20	0.11	1.09
Insperty Inc	1.15	0.07	1.08
GN Store Nord	1.13	0.10	1.03
Assured Guaranty Ltd	1.12	0.07	1.05
Genomic Health Inc	1.11	0.02	1.08
Neurocrine Biosciences Inc	1.08	0.17	0.91
Medifast Inc	1.01	0.04	0.97
White Mountains Insurance Grp	0.99	0.05	0.94
Agro Group International Hldng	0.99	0.03	0.95

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	20.75	12.98	15.14	10.57
Distribution return	0.60	0.91	0.65	0.63

The Growth Return is measured by the movement in the Fund's units price (inclusive of fees), 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 smaller companies globally. In doing so, the aim is to outperform the MSCI World Small Cap Index net of dividend withholding taxes, measured in A\$ over rolling three year periods.	
Recommended investment time frame	5 - 7 + years	
Fund inception	November 1999	
Fund size	A\$74.74 mn as at 30 September 2018	
APIR code	JBW0103AU	
Estimated management cost	1.25% p.a.	
Buy/sell spread	+/- 0.10%	
Number of holdings	321 as of 30 September 2018	
Platform availability	North	OnePath
	Asgard	PortfolioOne
	BT Wrap	Oasis
	Colonial FirstWrap	OneVue
	IOOF Pursuit Select	Hub24
	Macquarie Wrap	uXchange
	Accumulator	
	Macquarie Wrap	
	Consolidator	

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Global Small Companies Fund, November 1999 to September 2018.



For illustrative purposes only. Past performance does not guarantee future results, which may vary. The total net fund returns shown are prepared on an exit to exit basis (i.e. they include all ongoing fees and expenses and assume reinvestment of all distributions). They do not take personal taxation into account. The comparison with the benchmark is for comparative purposes only. Index returns do not allow for transactional, management, operational or tax costs. An index is not managed and investors cannot invest directly in an index.

Applications and contacts

Investment into the Yarra Global Small Companies Fund can be made by Australian resident investors only.

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