

# Yarra Global Small Companies Fund

## Gross returns as at 31 December 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	-5.18	-15.82	-1.31	7.79	10.45	12.85	8.22
MSCI World Small Cap Index in A\$ <sup>^</sup>	-5.88	-15.44	-4.29	7.21	9.02	10.83	6.76
Excess Return <sup>‡</sup>	0.69	-0.37	2.98	0.58	1.42	2.02	1.46

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 31 December 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	-5.28	-16.08	-2.53	6.45	8.99	11.32	6.72
MSCI World Small Cap Index in A\$ <sup>^</sup>	-5.88	-15.44	-4.29	7.21	9.02	10.83	6.76
Excess Return <sup>‡</sup>	0.59	-0.64	1.76	-0.77	-0.03	0.49	-0.04

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\* Inception date of Yarra Global Small Companies Fund: November 1999.

<sup>^</sup> 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\$.

<sup>‡</sup> Excess return: The excess return figures shown represent the difference between the Fund's return and the benchmark.

### Market review

The MSCI World index fell sharply in December, ending the year in negative territory.

US equities remained flat through the first three quarters as a boost from strong economic data was offset by a fall in equities after the US Federal Reserve increased interest rates. In addition, mounting trade tensions between the US and China persisted throughout the year and impacted markets negatively.

European equities were down for the year as fears regarding a potential no-deal Brexit increased, along with volatility caused by a standoff between the European Commission and Italy regarding Italy's planned budget deficit.

Japanese equities were also down for the year, as an appreciation of the Yen and a global economic slowdown pushed equities downwards. However, equities were also boosted in the third quarter as the European Union and Japan signed a free trade deal.

### Portfolio attribution

The Yarra Global Small Companies Fund returned -5.28%, outperforming the MSCI World Small Cap (AUD, Net)

Benchmark (-5.88%) by 59 bps on a net basis in December 2018.

Among investment themes\*, Quality and Momentum were the largest positive contributors to relative returns followed by Valuation and Management. Conversely, Sentiment was the largest detractor from relative returns followed by Profitability.

Among sectors, holdings in the Materials sector contributed most positively to relative returns. Within Materials, an overweight position in the Metals & Mining industry was the largest contributor. Conversely, holdings in the Financials sector detracted the most from relative returns. Within Financials, an underweight position in the Capital Markets industry was the biggest detractor.

At an individual stock level, our overweight position in Kirkland Lake Gold Ltd, held primarily due to relatively favourable consensus investment sentiment and sustainable sources of earnings, contributed most positively to relative returns. The stock price of the Canadian-Australian gold exploration and development company rose after the firm announced positive results from underground drilling programs at the Fosterville Mine in Victoria, Australia. The company was able to locate gold within the mine that was of higher than expected quality.

Meanwhile, our overweight position in Thor Industries Inc, held primarily due to relatively inexpensive valuations and

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

favourable investment sentiment, detracted the most from relative returns. The company, headquartered in Indiana, is a global leading manufacturer of recreational vehicles. The stock price fell after the company posted its quarterly earnings data on December 6th. The company reported net sales that were down over 20% year-over-year.

## 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.

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	60.67	57.00	3.67
Japan	13.40	12.45	0.95
Canada	6.58	3.63	2.95
UK	4.18	7.17	-2.99
Germany	3.50	2.25	1.25
Switzerland	2.61	1.71	0.90
Italy	1.62	1.41	0.21
Sweden	1.60	2.19	-0.59
Denmark	1.11	0.69	0.42
Netherlands	0.93	1.02	-0.09
Other	3.80	10.48	-6.68

## Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	4.76	3.65	1.12
Consumer Discretionary	10.49	11.70	-1.21
Consumer Staples	4.30	4.67	-0.36
Energy	5.92	3.84	2.07
Financials	13.35	14.23	-0.88
Health Care	13.51	11.11	2.41
Industrials	15.14	16.85	-1.70
Information Technology	12.85	12.44	0.42
Materials	5.31	7.17	-1.86
Real Estate	10.58	11.35	-0.77
Utilities	3.78	3.00	0.78

## Market cap allocation

A\$ million	Portfolio %	Benchmark %
0 - 400	0.62	0.54
400 - 750	3.37	4.15
750 - 1,500	8.84	12.70
1,500 - 7,500	67.51	69.70
7,500 - 15,000	19.26	12.91
15,000 - 50,000	0.39	0.00
>50,000	0.00	0.00

## Top 10 holdings

	Portfolio %	Benchmark %	Active %
Kirkland Lake Gold Ltd	1.23	0.09	1.14
Agro Group International	1.15	0.04	1.11
White Mountains Insurance	1.14	0.05	1.09
Berry Global Group Inc	1.13	0.12	1.01
Black Knight Inc	1.12	0.12	1.00
Allison Transmission Hldng	1.10	0.10	0.99
Portland General Elec. Co	1.10	0.08	1.02
Hill-Rom Holdings Inc	1.04	0.11	0.93
American Homes 4 Rent	1.04	0.10	0.94
GN Store Nord	1.03	0.10	0.93

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	-3.02	5.60	8.38	10.69
Distribution return	0.48	0.85	0.61	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\$61.00 mn as at 31 December 2018	
APIR code	JBW0103AU	
Estimated management cost	1.25% p.a.	
Buy/sell spread	+/- 0.10%	
Number of holdings	316 as of 31 December 2018	
Platform availability	North Asgard BT Wrap Colonial FirstWrap IOOF Pursuit Select Macquarie Wrap Accumulator Macquarie Wrap Consolidator	OnePath PortfolioOne Oasis OneVue Hub24 uXchange

## Investment performance comparison of \$50,000

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

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## Applications and contacts

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

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