YARRA
CAPITAL MANAGEMENT

Investment Commentary
Month to 30 April 2020

Yarra Global Small Companies Fund

Gross returns as at 30 April 2020

	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	6.92	-18.63	-9.84	3.85	7.37	12.06	8.01
MSCI World Small Cap Index in A$^	6.05	-16.56	-8.21	4.02	6.52	10.14	6.69
Excess Return‡	0.87	-2.07	-1.62	-0.17	0.84	1.92	1.32

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 30 April 2020

	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	6.81	-18.88	-10.95	2.57	6.01	10.56	6.52
MSCI World Small Cap Index in A$^	6.05	-16.56	-8.21	4.02	6.52	10.14	6.69
Excess Return‡	0.76	-2.32	-2.74	-1.45	-0.52	0.42	-0.16

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* 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 rebounded strongly in April.

US equities rallied as Federal Reserve and the US Government continued to provide record levels of economic stimulus to mitigate the effects of 'COVID-19' pandemic infused economic lockdown.

Japanese equities rose significantly as the Bank of Japan (BOJ) expanded its quantitative easing efforts centred on facilitating corporate financing. The BOJ also signalled readiness to make aggressive purchases by removing caps on Japanese treasury bonds.

European equities also rose on hopes of positive drug trials to treat COVID-19. Additionally, the alleviated lockdown measures in countries like Germany and Denmark paved way for optimism. The European Central Bank showed willingness to increase stimulus to fight the economic disruption, while the lending conditions for banks were improved. Moreover, many countries launched substantial stimulus programs to support their economies.

Portfolio attribution

The Yarra Global Small Companies Fund returned +6.81% during the month, out-performing its benchmark, the MSCI World Small Cap in AUD (net) (+6.05%) by 76 bps on a net basis.

Among investment themes*, Themes & Trends related factors contributed most positively to relative returns followed by factors within Fundamental Mispricings and Sentiment Analysis. Meanwhile, factors within High-Quality Business Model were relatively flat.

Among sectors, holdings in the Consumer Discretionary sector, especially an overweight position in the Household Durables industry, contributed most positively to relative returns. Conversely, holdings within the Energy sector, especially an underweight position in the Oil, Gas & Consumable Fuels industry, detracted the most from relative returns.

At an individual stock level, our overweight position in boohoo Group PLC, held primarily due to our relatively positive views on Themes and Trends related factors, was among the largest positive contributors to relative returns. The stock price of the UK-based online fashion retailer rose after the firm reported an improved year-on-year sales growth during April. The multiplatform retailer significantly benefited from online sales during the times COVID-19 pandemic, which forced closure of non-essential physical stores in Britain.

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

Meanwhile, our overweight position in Empire State Realty Trust Inc, held primarily for our relatively positive views on Fundamental Mispricing related factors, was among the largest detractors from relative returns. The stock of the real estate investment trust fell after the company announced low rent collection figures for the month on April, citing the closure of many key revenue sources due to the COVID-19 pandemic. In particular, the Observatory at the top of the Empire State Building has been closed since mid-March, adding up to the existing losses. This is considered to be the company's most valuable source of income, and its closure has significantly hurt the company's rent collection.

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 %
United States	55.89	55.78	0.11
Japan	13.82	12.97	0.85
Canada	6.34	3.78	2.56
United Kingdom	5.54	6.53	-0.99
Germany	3.16	2.52	0.64
Netherlands	2.63	0.98	1.65
Switzerland	2.60	2.30	0.30
Australia	2.41	3.09	-0.68
Italy	1.99	1.35	0.64
Norway	1.51	0.78	0.73
Other	4.11	9.92	-5.81

Market cap allocation

A$ million	Portfolio %	Benchmark %
0 - 400	0.65	0.90
400 - 750	3.05	4.08
750 - 1,500	13.79	11.40
1,500 - 7,500	65.76	66.13
7,500 - 15,000	14.78	15.79
15,000 - 50,000	1.96	1.70
>50,000	0.00	0.00

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	4.01	3.56	0.45
Consumer Discretionary	11.34	11.14	0.20
Consumer Staples	5.99	4.99	1.00
Energy	1.80	2.25	-0.45
Financials	11.93	12.72	-0.79
Health Care	15.21	12.86	2.35
Industrials	14.99	16.94	-1.95
Information Technology	16.60	14.32	2.28
Materials	5.70	7.24	-1.54
Real Estate	10.73	10.92	-0.19
Utilities	1.70	3.03	-1.33

Top 10 holdings

	Portfolio %	Benchmark %	Active %
Haemonetics Corp/Mass	1.14	0.12	1.03
Gerresheimer AG	1.12	0.05	1.07
Perspecta Inc	1.11	0.06	1.05
TIS Inc	1.10	0.09	1.01
Itron Inc	1.05	0.05	1.00
Zynga Inc	1.04	0.13	0.91
Murphy USA Inc	1.03	0.06	0.96
Tecan Group AG	1.01	0.08	0.93
Dena Co Ltd	1.01	0.03	0.98
Douglas Emmett Inc	0.99	0.10	0.89

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	-11.13	2.00	5.37	10.16
Distribution return	0.18	0.57	0.63	0.40

The Growth Return is measured by the movement in the Fund's unit 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$51.23 mn as at 30 April 2020	
APIR code	JBW0103AU	
Estimated management cost	1.25% p.a.	
Buy/sell spread	+/- 0.10%	
Number of holdings	444 as of 30 April 2020	
Platform availability	Asgard BT Panorama BT Wrap Colonial FirstWrap Hub24 IOOF Pursuit Select Macquarie Wrap Accumulator	Macquarie Wrap Consolidator North OnePath PortfolioOne Oasis OneVue uXchange

Investment performance comparison of $50,000

After fees, since inception of the Yarra Global Small Companies Fund, November 1999 to April 2020.

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.

Website www.yarracm.com

Investor Services Team 1800 034 494 (Australia) +61 3 9002 1980 (Overseas) IST@yarracm.com

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