YARRA
CAPITAL MANAGEMENT

Investment Commentary
Month to 31 May 2020

Yarra Global Small Companies Fund

Gross returns as at 31 May 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	5.72	-8.71	-0.10	6.26	7.58	12.50	8.27
MSCI World Small Cap Index in A$^	5.60	-6.54	2.09	5.54	6.77	10.67	6.94
Excess Return‡	0.12	-2.16	-2.20	0.72	0.81	1.82	1.33

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 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	5.61	-8.99	-1.34	4.95	6.22	10.99	6.78
MSCI World Small Cap Index in A$^	5.60	-6.54	2.09	5.54	6.77	10.67	6.94
Excess Return‡	0.01	-2.45	-3.43	-0.59	-0.55	0.32	-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 rose significantly in May.

US equity markets rallied in the earlier part of May as country-wide easing in the COVID-19 "Coronavirus" induced lockdown improved investor optimism. However, later in the month, markets tumbled due to a second wave of COVID-19 infections, delaying the reopening of many states' economies.

Japanese equities rose after the Japanese Prime Minister announced an end to the nation's COVID-19 induced state of emergency, boosting investor hopes around a potential economic recovery. Market sentiment was also buoyed after the Japanese government stated that their proposed fiscal stimulus amounted to nearly half of the GDP of Japan.

European equities were boosted as many European countries began reopening their economies. Market sentiment was also boosted by the European Commission proposing a EUR 750 billion 'recovery fund' to help countries weather the recessionary period.

Portfolio attribution

The Yarra Global Small Companies Fund returned +5.61% during the month, out-performing its benchmark, the MSCI World Small Cap In AUD (net) (+5.60%) by 1bp on a net basis.

Among investment themes*, Themes & Trends related factors contributed most positively to relative returns followed by factors within Sentiment Analysis. Conversely, factors within High-Quality Business Models detracted the most from relative returns, followed by Fundamental Mispricings related factors.

Among sectors, holdings in the Information Technology sector, especially an overweight position in the IT Services industry, contributed most positively to relative returns. Conversely, holdings within the Consumer Discretionary sector, especially an overweight position in the Internet & Direct Marketing Retail industry, detracted the most from relative returns.

At an individual stock level, our overweight position in Fastly Inc, held primarily for our relatively positive views on our Sentiment Analysis related factors, was among the largest positive contributors to relative returns. The stock of the American cloud computing services provider rose after the company released its first quarter earnings report. The company's year-on-year revenue growth beat consensus estimates, rallying investor sentiment around the stock.

Meanwhile, our overweight position in Empire State Realty Trust Inc, held primarily for our relatively positive views on Fundamental Mispricings related factors, was among the largest detractors from relative returns. The stock of the real estate investment trust fell as the company announced that

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

country wide stay-at-home orders issued to combat spread of COVID-19 infections impacted the company's business. In particular, the Observatory at the top of the Empire State Building has been closed since mid-March, adding up to the existing losses.

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	57.90	55.82	2.08
Japan	13.15	13.04	0.11
United Kingdom	5.14	6.28	-1.14
Canada	4.55	3.73	0.82
Germany	4.07	2.64	1.43
Switzerland	2.85	2.29	0.56
Netherlands	2.57	0.99	1.58
Australia	2.41	3.29	-0.88
Norway	1.66	0.81	0.85
Sweden	1.42	2.81	-1.39
Other	4.28	8.30	-4.02

Market cap allocation

A$ million	Portfolio %	Benchmark %
0 - 400	0.08	0.76
400 - 750	2.21	3.67
750 - 1,500	11.58	10.59
1,500 - 7,500	66.4	63.71
7,500 - 15,000	18.66	18.26
15,000 - 50,000	1.08	3.01
>50,000	0.00	0.00

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	4.38	3.63	0.75
Consumer Discretionary	13.77	11.74	2.03
Consumer Staples	5.59	4.96	0.63
Energy	1.36	2.09	-0.73
Financials	10.34	12.15	-1.81
Health Care	14.94	13.09	1.85
Industrials	15.33	16.94	-1.61
Information Technology	16.20	14.72	1.48
Materials	5.53	7.36	-1.83
Real Estate	11.08	10.43	0.65
Utilities	1.48	2.91	-1.43

Top 10 holdings

	Portfolio %	Benchmark %	Active %
Zynga Inc	1.19	0.15	1.04
Etsy Inc	1.08	0.18	0.90
Dena Co Ltd	1.05	0.03	1.02
Murphy USA Inc	1.05	0.06	0.99
Gerresheimer AG	1.04	0.05	0.99
Perspecta Inc	1.04	0.06	0.98
Tecan Group AG	1.03	0.08	0.95
Horizon Therapeutics Plc	1.01	0.18	0.83
Granite Real Estate Investment	0.98	0.02	0.96
Signify NV	0.97	0.05	0.91

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	-1.54	4.36	5.59	10.59
Distribution return	0.20	0.58	0.64	0.41

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$53.56 mn as at 31 May 2020	
APIR code	JBW0103AU	
Estimated management cost	1.25% p.a.	
Buy/sell spread	+/- 0.10%	
Number of holdings	421 as of 31 May 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 May 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.

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