Yarra Australian Equities Fund

Gross returns as at 31 March 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Australian Equities Fund	-3.45	-1.58	1.16	6.02	15.11	6.64	10.27
S&P/ASX 200 Accumulation Index†	-3.39	-2.80	2.84	5.61	13.23	7.14	9.09
Excess return (before fees)‡	-0.06	1.22	-1.68	0.41	1.88	-0.50	1.18

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 March 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Australian Equities Fund	-3.52	-1.77	0.31	5.09	14.09	5.67	9.28
S&P/ASX 200 Accumulation Index†	-3.39	-2.80	2.84	5.61	13.23	7.14	9.09
Excess return (after fees)‡	-0.12	1.03	-2.53	-0.52	0.86	-1.47	0.18

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 Equities Fund: July 1996

† The benchmark for the Yarra Australian Equities Fund has been amended since the Fund's inception. Effective 28 February 2008 the benchmark is the S&P/ASX 200 Accumulation Index, replacing the S&P/ASX 200 ex Property Accumulation Index Monthly. Further information on changes to the Fund's benchmark is available upon request.

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

Market review

The Australian Equities market weakened during the first quarter of 2025. The threat of tariffs from the Trump Administration and the resulting uncertainty weighed on the market which also saw some rotation from investors towards China.

The S&P/ASX 200 Accumulation Index returned -2.8% for the quarter taking its 12-month return to +2.8%. The S&P/ASX 300 Accumulation Index returned -2.9% for the period whilst globally, the MSCI World Index also weakened, returning -2.7% for the quarter.

Industrials (+2.5%) was the highest sector contributor during the period, with Computershare (CPU, +16.5%) and Brambles (BXB, +5.7%) both rising following positive 1H25 results while Reece (REH, -29.7%) and NRW Holdings (NWH, -26.6%) fell sharply.

The Materials sector (+0.7%) also contributed positively, with mixed returns across the stocks. The Metals and Mining sub sector outperformed as Evolution Mining (EVN, +49.5%), Northern Star (NST, +20.4%) and Newmont Corporation (NEM, +30.3%) all rose within the period. Gold, seen as a safe haven in a world characterised by elevated geopolitical risks, continued to rise fuelling the stock price increases for these stocks. In contrast, siding leader James Hardie (JHX, -23.1%) fell following an announcement of a cash and scrip deal to buy its building materials decking peer Azek, a deal that investors are concerned is significantly overvalued, with overly optimistic revenue synergies.

Health Care (-9.0%) detracted from performance, with Pro Medicus (PME, -20.0%), CSL (CSL, -10.8%) and Cochlear (COH, -8.8%) declining. Cochlear fell after the company announced its half-year results, due to a disappointing performance in its services segment, particularly in the US, and a miss in profit expectations.

Losses in the Financials sector (-2.0%) were fairly broad based as Macquarie (MQG, -11.28%), National Australia Bank (NAB, -8.3%) and Block Inc. (XYZ, -38.7%) all detracted as high P/E stocks retreated. In contrast, Insurance stocks such as QBE Insurance (QBE, +17.45%) and Suncorp (SUN, +5.3%) rose.

Losses were broad based in the Information Technology sector (-17.5%) with almost all stocks recording declines including WiseTech (WTC, -32.8%), NextDC (NXT, -25.0%) and Xero (XRO, -8.2%).

Portfolio review

Key Contributors

Evolution Mining (EVN, overweight) – the gold and copper producer outperformed during the quarter, with both gold (+21%) and copper (+9.4%) rising. Additionally, EVN delivered a solid interim result which confirmed underlying profit up 144% year-on-year. We remain attracted to EVN's long-life assets, and meaningful leverage to copper production at the Ernest Henry and Northparkes mines. Continued drilling success across the portfolio should result in further resource/reserve increases over time.

Goodman Group (GMG, underweight) – the global industrial and data centre real estate player underperformed during the period after announcing a A$4 billion capital raise to support the funding of its data centre development pipeline. The large equity raise surprised investors, with shareholders expecting third-party global institutional equity capital partners would be utilised to fund the growth rather than shareholders. While the company stands to benefit from increased data centre demand supporting the roll out of its data centre developments, the capital intensity is proving to be higher than initially expected, causing investors to be more cautious with the earnings multiple to apply to the group.

Sims (SGM, overweight) – the scrap steel producer outperformed during the period following the release of its half-year results. SGM reported an underlying EBIT of $73 million, a 184% increase compared to the previous corresponding period which was driven by improved margins in North America. We view this result as supportive of the company's strategy to focus on margin over scrap volumes. We are overweight the stock as we believe the company's majority US exposure is well placed to benefit from steel tariffs, while longer term we see upside for scrap demand given its use in lower emissions Electric Arc Furnace steel making operations.

Key Detractors

Block Inc. (XYZ, overweight) – the payments technology company underperformed during the period following the release of its fourth-quarter results which were slightly softer than expected. Despite re-iterating its full year 2025 guidance, the company pointed to a softer 1Q25, with growth accelerating through the calendar year. Combined with market concerns on the outlook for the US consumer, this was enough to see the stock underperform. We remain overweight XYZ as for a highly cash generative growth business, Block trades on an undemanding multiple of 12.4-times CY25 earnings and a PEG ratio of <0.5 times.

NextDC (NXT, overweight) – the data centre owner and developer underperformed during the period as the market grew impatient for the announcement of additional large contract wins that had been previously indicated by management. This was further compounded by concerns around the implications of DeepSeek's more efficient AI training models for long-term global data centre capacity demand. We continue to favour NXT as the company has built an enviable footprint and track record of delivery that will allow it to capture long-term structural earnings growth driven by the adoption of cloud and artificial intelligence capabilities with solid returns on capital.

Iluka Resources (ILU, overweight) – the mineral sands producer underperformed during the period following the release of its fourth-quarter update. The company reported an 8.9% decline in mineral sands revenue for the full year and full year guidance painted a cautious near-term outlook, signalling flat production and sales alongside a 6% increase in costs. We remain constructive on the mineral sands market over the medium to long term despite near-term headwinds given the effects of EU anti-dumping tariffs, the potential for stimulus in China and US rate cuts.

Market outlook

"Liberation Day" has reinforced President Trump's reputation as a shock agent and it once again proved that financial markets were underestimating Trump's intent. Financial market surveys revealed that market participants were expecting the effective US tariff rate to rise than no more than 12-15%. Trump's reciprocal tariff announcement raised the US effective tariff rate to 28% before exclusions (and around 24% post exclusions), essentially double market expectations and returning US tariffs to levels not seen since the first Model T Ford rolled off the production line in 1908.

The reaction on financial markets has been swift with US equity markets down 18% from the peak at the time of writing and measures of volatility having spiked to historically significant levels. In recent months we have cautioned that the policies of President Trump would prove on balance to be a net negative for US economic growth and for risk assets. We downgraded our US economic growth forecasts in December 2024 to well below consensus (1.75% and 1.5% in 2025 and 2026, compared to consensus of 2.4% and 2.0%), however, immediately post the US tariff announcement we lowered our 2025 US growth view to just 1% and raised our 2025 core inflation forecast to 3.5%. This was based on no further retaliation and escalation of the trade war, which clearly has occurred. We have yet to conclude a recession is inevitable, but the three main channels that typically indicate a recession are flashing red. Financial conditions are tightening sharply thanks to widening credit spreads and weaker equities, survey readings are consistent with consumer restraint and rising unemployment and firms are indicating that they are preparing to right-size their firms for a changing climate.

The questions that are exercising our minds include, has the equity market adjusted enough to factor in the heightened risk of a near-term US recession and what are the chances of de-escalation in coming days? Since the 1950s the average bear market decline of the S&P500 in a US recession has been -38% and the median decline has been -45%. On this measure markets are unlikely to have fully priced a recession, indeed we may only be half-way there. Equally we acknowledge that de-escalation can also occur quickly if a series of Trump-styled 'deals' are done. When assessing these risks we are mindful that Trump needs the tariff revenue to afford to deliver on his tax cut agenda, so any 'deal' will still leave substantive tariffs in place and as a result leave substantive residual recession risk.

From our perspective Trump will likely keep the bulk of his tariff measures in place until he is confident that his tax plans will be passed into law around mid-year. While we may soon pass through peak volatility and peak panic, we will have to still deal with the real-world consequences of these announcements for months to come.

Locally, Australia's fragile economic recovery is clearly at risk from the external shock of a trade war, particularly one which is primarily targeted at our region and our largest trading partners. Nascent private sector demand growth is at risk of being snuffed out by this global shock, however, it is worth remembering three things. Australia's exchange rate is playing its traditional shock-absorber role which has been crucial in navigating prior shocks, the Reserve Bank of Australia (the 'RBA') will react and we now expect them to cut interest rates a further 100bps in 2025, and Australia benefits from having a relatively defensive equity market in a region with a well capitalised banking system.

From a cross-asset perspective we are materially overweight fixed income and cash, neutral credit and underweight equities and real assets. We are awaiting material revisions to both US growth expectations, inflation and earnings together with any signs of a policy pivot by Trump or the Federal Reserve ('Fed') before shifting to a more risk friendly stance. Unfortunately given Trump's stubborn belief and the Fed's focus on inflation expectations its likely to take an uncomfortable amount of time before someone blinks. From an equities perspective, the current uniform selling of markets upon general derisking of portfolios is where active fund managers step up their portfolios for the next economic cycle.

We are most overweight stocks within the Materials, Utilities and Communication Services sectors, and are underweight Financials, Real Estate and Consumer Discretionary.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	6.61	3.82	2.78
Consumer Discretionary	4.60	7.69	-3.09
Consumer Staples	2.57	3.85	-1.28
Energy	4.62	3.78	0.84
Financials	25.14	33.48	-8.35
Health Care	8.58	9.73	-1.15
Industrials	8.31	7.48	0.83
Information Technology	4.61	2.82	1.79
Materials	24.32	19.21	5.11
Real Estate	1.54	6.64	-5.10
Utilities	5.81	1.48	4.33

Top 3 holdings

	Portfolio %	Benchmark %	Active %
BHP Group	9.70	8.24	1.47
Commonwealth Bank of Australia	7.75	10.73	-2.98
Westpac Banking	5.96	4.60	1.35

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
ResMed	3.75	0.88	2.87
Woodside Energy	4.62	1.87	2.76
Transurban	4.40	1.77	2.64
Underweights			
National Australia Bank	0.00	4.44	-4.44
Wesfarmers	0.00	3.47	-3.47
Commonwealth Bank of Australia	7.75	10.73	-2.98

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	-2.56	-1.28	3.34	-3.10
Distribution return	2.86	6.37	10.75	8.77

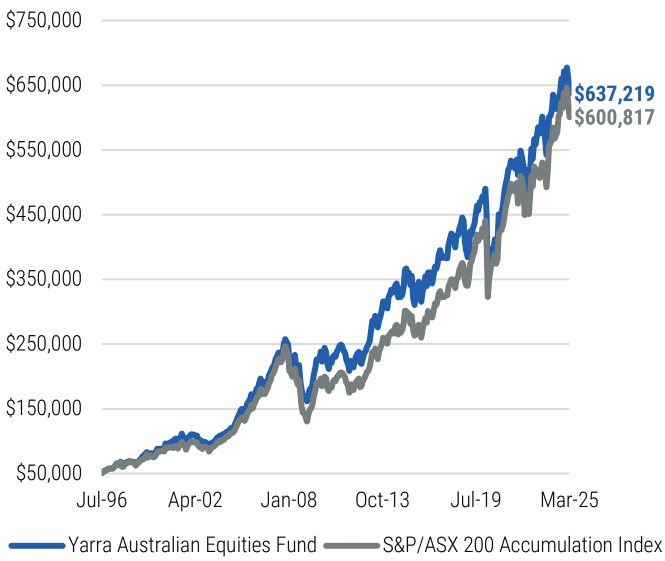
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders 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 companies listed on the Australian Securities Exchange. In doing so, the aim is to outperform the S&P/ASX 200 Accumulation Index over rolling 3-year periods.	
Recommended investment time frame	5 - 7 + years	
Fund inception	July 1996	
Fund size	A$107.0 mn as at 31 March 2025	
APIR codes	JBW0009AU	
Estimated management cost	0.90% p.a.	
Buy/sell spread	+/- 0.15%	
Platform availability	Asgard Ausmaq BT Panorama BT Super Wrap FirstWrap GrowWrap	Hub24 IOOF Pursuit Macquarie Wrap Netwealth Oasis Powerwrap

Investment performance comparison of $50,000

After fees, since inception of the Yarra Australian Equities Fund, July 1996 to March 2025.



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 S&P/ASX 200 Accumulation Index 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. Note that the minimum initial investment amount for the Yarra Australian Equities Fund is $10,000.

Applications and contacts

Investment into the Yarra Australian Equities Fund can be made by Australian and New Zealand resident investors only.

Website www.yarracm.com

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