Yarra Australian Equities Fund

Gross returns as at 30 April 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	2.21	-3.71	6.39	7.33	13.01	7.13	10.33
S&P/ASX 200 Accumulation Index†	3.62	-3.69	9.79	7.18	12.14	7.71	9.20
Excess return (before fees)‡	-1.41	-0.03	-3.39	0.16	0.87	-0.58	1.12

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 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	2.14	-3.90	5.50	6.40	12.01	6.16	9.33
S&P/ASX 200 Accumulation Index†	3.62	-3.69	9.79	7.18	12.14	7.71	9.20
Excess return (after fees)‡	-1.48	-0.21	-4.28	-0.78	-0.12	-1.55	0.13

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* 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 strengthened during the month. The market dropped initially during the month due to concerns around potential trade wars resulting from tariffs imposed by the Trump Administration but quickly rebounded following the announcement of a 90 day pause on tariffs.

The S&P/ASX 200 Accumulation Index returned +3.6% for the month taking its 12-month return to +9.8%. The broader S&P/ASX 300 Accumulation Index returned +3.6% for the period whilst globally, the MSCI World Index weakened, returning -0.4% for the month.

Financials (+5.6%) was the largest contributor during the period. This increase was led by Commonwealth Bank (CBA, +10.4%) which posted an impressive gain. National Australia Bank (NAB, +6.2%) and Westpac (WBC, +4.0%) also posted gains.

Consumer Discretionary (+6.1%) rose during the period largely driven by Wesfarmers (WES, +8.8%) as it posted a solid gain. JB Hi-Fi (JBH, +11.6%), Aristocrat Leisure (ALL, +4.2%) and the Lottery Corporation (TLC, +9.7%) also contributed to performance. Companies in this sector were buoyed by expectation of further rate cuts.

Companies in the Real Estate sector (+5.9%) also posted gains as data releases continue to point to an environment conducive to further rate cuts by the Reserve Bank of Australia. Goodman Group (GMG, +5.5%) and Stockland (SGP, +12.0%) were two of the notable performers in this sector.

Communication Services (+7.0%) performed well driven by an increase in the share price of Telstra (TLS, 7.1%) as the market rewarded defensives.

Energy (-8.4%) was the only sector to post a negative return during the period with falls in commodity prices on concerns over global growth. Woodside Energy (WDS, -10.3%) and Santos (STO, -9.8%) were the principal laggards in this sector.

Portfolio review

Key Contributors

Evolution Mining (EVN, overweight) – the gold producer outperformed with gold (+5.4%) rising during the month. 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.

Macquarie Group (MQG, underweight) – the financial services group underperformed during the period as market volatility weighed on the company's outlook for asset realisations and performance fees. As an example, MQG was compelled to cancel the sale of a major European offshore wind asset during the month. While we acknowledge MQG's favourable structural positioning around a number of long-term growth themes such as renewables, data centres and energy, we believe this is captured in the current valuation multiple (17.7-times 12-months forward earnings).

BlueScope Steel (BSL, overweight) – the diversified steel manufacturer outperformed during the period due to the potential impact from changes in US steel tariffs on the competitive position of BSL's US North Star operations. We believe US tariffs will introduce potential upside risks to US steel spreads, which could serve as a material tailwind for North Star. Meanwhile, BSL remains a well-managed company with capital management opportunities and valuation upside from both US protectionism and improving macro conditions in China.

Key Detractors

Woodside Energy (WDS, overweight) – the oil and gas producer underperformed despite reporting a solid operational quarter. The underperformance is mostly due to the announcement of U.S. tariffs which led to heightened fears of a global economic slowdown. The company has lagged rising Oil and LNG prices in recent months and, in our view, remains undervalued. The Louisiana LNG facility, with a planned capacity of up to 27.6 Mtpa, will significantly enhance Woodside's global LNG footprint. We are attracted to the company's strong growth profile from new projects that remain on budget and its schedule to increase production by more than 30% over the next two years.

Worley (WOR, overweight) – the leading professional engineering company underperformed during the period on limited company specific news. The underperformance is due to the announcement of U.S. tariffs which led to heightened fears of a global economic slowdown. Worley is well placed in the medium-long term with strong top-line growth prospects, operating leverage and upside to valuation.

Ansell (ANN, overweight) – the global Personal Protective Equipment (PPE) manufacturer and distributor underperformed during the period, following the announcement of U.S. reciprocal tariffs. ANN, like it's glove manufacturer peers, sources the majority of its gloves from Asian countries (i.e. Thailand, Malaysia) and has confirmed that it will need to pass on increased supply costs (tariffs) to end customers. Notwithstanding this, execution risk remains which caused the stock to pull back over the period. Longer-term, we are attracted to the cyclical rebound in the Industrial business, and structural growth opportunities in their healthcare vertical.

Market outlook

April 2025 recorded an extraordinary degree of financial market volatility. Steep equity market declines in the first half of April were met with an impressive recovery in the second half of the month, with measures of credit spreads and volatility also reflecting a sharp shift in risk appetite. Part of the rationale for the recovery is that financial markets were quick to sense that meaningful trade deals would be signed between the Trump Administration and major trading partners, rallying after each hint that a bilateral agreement was imminent.

However, no deals have yet been announced, and it appears that not only are negotiations with China still in their infancy, but the US also seems to be stepping back from the idea of pursuing a series of bilateral trade agreements altogether. In the interim, earnings downgrades have become more pronounced, and indicators from the real economy suggest that the US economy is moving toward stall speed, albeit the US labour market remains in balance for now. Nevertheless, it is evident both near term and some longer-term measures of inflation expectations are rising, driven by anticipated impact of tariffs. We expect heightened uncertainty to translate into much weaker employment growth and a rising unemployment rate in coming months.

Following the announcement of the tariff policy, we lowered our 2025 US growth forecast to just 1% and raised our 2025 core inflation outlook to 3.5%. While we have not yet concluded that a recession is inevitable, the three main channels that typically signal a recession are flashing red. Financial conditions have tightened, survey readings are consistent with consumer restraint and rising unemployment, and firms are indicating that they are preparing to right-size their operations for a changing economic climate.

Since the 1950s, the average bear market decline of the S&P500 during a US recession has been around -38%, with a median decline of -45%. In light of the rally in equity markets off the April lows, it is clear that financial markets are unlikely to have priced in a recession. Should a modest recession eventuate, equity markets are likely to retreat below the April lows. That said, we acknowledge that de-escalation can also occur quickly, and policy decisions are fluid with uncertainty of the size, scale and scope, and persistence of the tariff policy. In assessing these risks, we are mindful that President Trump needs the tariff revenue to fund his tax cut agenda. As such, any 'deal' will still leave substantive tariffs in place, thereby leaving a substantive risk of recession. From our perspective, Trump is likely to retain the bulk of his tariff measures in place until he is confident that his tax plans will be pass into law, likely around mid-year. While we have likely moved past peak volatility and peak panic, the real world consequences of these announcements will be felt 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. First, the Australian dollar is playing its traditional role as a shock-absorber, which has been crucial in navigating prior shocks. Second, we expect the RBA will respond, and anticipate a further 100bps of interest rate cuts in 2025. Third, Australia benefits from having a relatively defensive equity market and a well-capitalised banking system within the region. In addition, the election result ensures that the policy status quo remains in place. Despite the strong result for the Australian Labour Party the policy agenda is not ambitious, providing a degree of certainty for Australian corporates and households.

From a cross-asset perspective, we are materially overweight fixed income and cash, neutral on credit and underweight equities and real assets. We are awaiting material revisions to both US growth expectations, inflation and earnings, along with any signs of a policy pivot by either President Trump or the Federal Reserve, before shifting to a more risk friendly stance.

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

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	6.44	3.93	2.51
Consumer Discretionary	4.59	7.87	-3.27
Consumer Staples	2.31	3.91	-1.60
Energy	4.55	3.37	1.18
Financials	26.43	34.17	-7.74
Health Care	8.11	9.59	-1.48
Industrials	7.04	7.38	-0.34
Information Technology	5.48	2.89	2.59
Materials	22.17	18.67	3.50
Real Estate	2.38	6.78	-4.40
Utilities	5.58	1.45	4.13

Top 3 holdings

	Portfolio %	Benchmark %	Active %
BHP Group	9.50	7.94	1.55
Commonwealth Bank of Australia	8.38	11.43	-3.05
Westpac Banking	6.07	4.62	1.45

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
ResMed	3.85	0.89	2.96
Woodside Energy	4.55	1.61	2.93
Transurban	4.54	1.80	2.75
Underweights			
National Australia Bank	0.00	4.55	-4.55
Wesfarmers	0.00	3.64	-3.64
Commonwealth Bank of Australia	8.38	11.43	-3.05

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	2.49	-0.06	1.45	-2.65
Distribution return	3.01	6.45	10.56	8.81

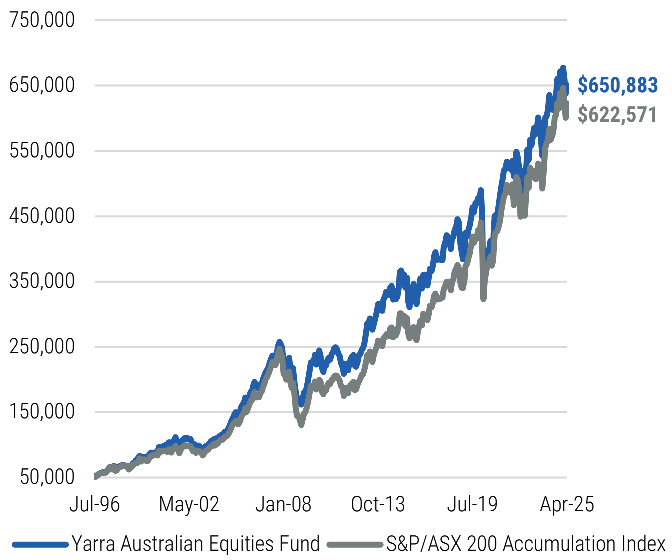
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders 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$109.4 mn as at 30 April 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 April 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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