Yarra Ex-20 Australian Equities Fund

Gross returns as at 30 April 2025

	From 25 June 2018^	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.*
Yarra Ex-20 Australian Equities Fund	6.39	2.37	-4.74	4.48	7.24	12.26	6.80	7.90
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.62	3.24	-3.72	7.22	5.01	10.66	N/A	N/A
Excess return (before fees)‡	-0.23	-0.87	-1.02	-2.74	2.23	1.60	N/A	N/A

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

	From 25 June 2018^	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.*
Yarra Ex-20 Australian Equities Fund	5.43	2.30	-4.95	3.54	6.28	11.26	5.70	6.71
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.62	3.24	-3.72	7.22	5.01	10.66	N/A	N/A
Excess return (after fees)‡	-1.19	-0.94	-1.23	-3.67	1.27	0.60	N/A	N/A

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.

^ **Effective 25 June 2018 the Fund's investment strategy, name and benchmark was changed. Performance prior to 25 July 2018 is provided here for consistency purposes only – the historical performance data shown relates to the previous strategy and should not be used to assess past or future performance of the Fund. Performance data relating to the previous strategy is available upon request. 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 Ex-20 Australian Equities Fund: August 2010.

The benchmark for the Yarra Ex-20 Australian Equities Fund has been amended since the Fund's inception. Effective 25 July 2018, the benchmark is the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index, replacing the S&P/ASX 300 Accumulation Index.

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

Market review

The Australian Ex-20 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 300 Ex-20 Accumulation Index rose +3.2% for the month, taking its 12-month return to +7.2%. 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.

The Financials sector (+4.7%) posted an increase with mixed returns across the underlying companies. ASX Limited (ASX, +8.6%), Insurance Australia Group (IAG, +6.5%) and Suncorp (SUN, +5.4%) rose while HMC Capital (HMC, -22.0%) and Perpetual (PPT, -14.5%) retreated.

Companies in the Real Estate sector (+6.1%) also posted gains as data releases continue to point to an environment conducive to further rate cuts by the Reserve Bank of Australia. Stockland (SGP, +12.0%) and Scentre Group (SCG, +7.7%) posted gains.

Information Technology (+6.3%) also contributed to returns with WiseTech (WTC, +9.0%) and Xero (XRO, +6.1%) posting gains.

Energy (-1.0%) and Consumer Staples (-0.4%) detracted from performance. Energy was impacted by falls in commodity prices based on concerns over global growth. Beach Energy (BPT, -18.1%) and Whitehaven Coal (WHC, -8.8%) both detracted from performance within this sector. Within Consumer Staples, Treasury Wine Estates (TWE, -8.3%) fell as tariff concerns weighed on the share price.

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.

South32 (S32, underweight) – our underweight position in diversified miner South32 was a source of outperformance during the month. The company's earnings are now majority exposed to alumina/aluminium, where prices declined 8% across the month on slowing demand. We remain underweight given S32's portfolio of relatively high-cost assets in relatively challenging jurisdictions. We see better pure-play exposure to S32's key commodities elsewhere.

Northern Star Resources (NST, overweight) – the gold producer's outperformance was driven by both the increase in the gold price (+5.4%) and the positive implications of NST's recent acquisition of De Grey Mining (DEG). We see the Hemi project as accretive to production and a significant growth driver. We believe that Northern Star has the most robust organic production growth profile in the gold sector. Operational excellence, combined with strong organic growth, supports our overweight position. We remain attracted to the company's asset quality, cost control, and organic growth pipeline that will grow production from ~1.5Mozpa to ~2Mozpa by 2026.

Key Detractors

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.

Treasury Wine Estates (TWE, overweight) – the global winemaking and distribution business underperformed during the period, with tariff uncertainty and softening US consumer datapoints weighing on expectations for TWE Americas. Although guidance was already trimmed towards the bottom-end of the prior range, retailer scan data has indicated a further decline in sell-through, including in US Luxury brands such as DAOU/Frank Family. However, we remain confident on the outlook for Penfolds (>60% EBIT) and believe TWE is approaching an inflection point in its product portfolio which is not being captured in today's valuation (12.8-times FY26 P/E vs 21.6 times 10-year average).

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 Communication Services, Utilities and Materials sectors and underweight Real Estate, Industrials and Energy.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	13.13	4.93	8.21
Consumer Discretionary	6.24	7.05	-0.81
Consumer Staples	3.80	2.95	0.85
Energy	0.00	2.57	-2.57
Financials	14.85	14.77	0.08
Health Care	9.66	12.05	-2.39
Industrials	4.10	14.58	-10.48
Information Technology	8.68	7.68	1.00
Materials	20.74	18.85	1.89
Real Estate	2.97	11.05	-8.07
Utilities	10.32	3.53	6.79

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Northern Star	6.45	2.65	3.80
ResMed	6.16	2.17	3.99
IAG	5.54	1.94	3.60

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
ResMed	6.16	2.17	3.99
Block	4.41	0.46	3.96
Northern Star	6.45	2.65	3.80
Underweights			
Brambles	0.00	2.83	-2.83
Computershare	0.00	2.26	-2.26
Suncorp Group	0.00	2.19	-2.19

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	1.95	4.27	9.26	3.29
Distribution return	1.59	2.01	2.00	2.41

The Growth Return is measured by the movement in the Fund's unit price, 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 Australian Securities Exchange listed securities excluding the largest 20 by market capitalisation (as defined by the S&P/ASX 20 Index). In doing so, the aim is to outperform the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index over rolling 3-year periods.
Recommended investment time frame	5 - 7 + years
Fund inception	August 2010
Fund size	A$99.3 mn as at 30 April 2025
APIR code	JBW0052AU
Estimated management cost	0.90% p.a
Buy/sell spread	+/- 0.15%
Platform availability	BT Panorama Praemium Hub24

Applications and contacts

Investment into the Yarra Ex-20 Australian Equities Fund can be made by Australian resident investors only.

Website www.yarracm.com

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