Investment Commentary
Month to 31 May 2025

Yarra Emerging Leaders Fund

Gross returns as at 31 May 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Emerging Leaders Fund	5.62	2.05	10.86	8.08	11.06	9.04	10.93
Emerging Leaders Combined Benchmark†	5.85	4.73	11.91	6.98	10.02	8.63	7.27
Excess return (before fees)‡	-0.23	-2.69	-1.06	1.10	1.03	0.41	3.67

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 management costs, meaning they do not reflect the deduction of any investment management fees and expenses 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 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Emerging Leaders Fund	5.51	1.73	9.49	6.75	9.69	7.69	9.63
Emerging Leaders Combined Benchmark†	5.85	4.73	11.91	6.98	10.02	8.63	7.27
Excess return (after fees)‡	-0.34	-3.01	-2.43	-0.23	-0.34	-0.93	2.36

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 Emerging Leaders Fund: September 1997

† Comprising 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries Accumulation Index

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

Market review

The Australian mid and small cap market strengthened during the month of May.

The Emerging Leaders Benchmark returned + 5.9% for the month, taking its 12-month return to +11.9%. The broader S&P/ASX 300 Accumulation Index returned +4.2% for the period whilst globally, the MSCI World Index also strengthened, returning +5.9% for the month.

The Materials sector (+9.0%) was the largest contributor during the period with Evolution Mining (EVN, +13.0%), Orica (ORI, +17.3%) and Genesis Minerals (GMD, +22.3%) all gaining.

Information Technology (+21.4%) was the second largest contributor, rising sharply as the enthusiasm around AI continued, along with positive earnings updates. Technology One (TNE, +36.8%), Life360 (360, +51.9%) and NextDC (NXT, +10.8%) were some of the sector's top performing stocks.

Stocks within Financials (+4.6%) also performed well overall, with HUB24 (HUB, +15.7%) and Netwealth (NWT, +14.3%) rising, while Judo Capital (JDO, -19.9%) and Insignia Financial (IFL, -11.3%) detracted.

Energy (+10.2%) also rallied, with Whitehaven Coal (WHC, +11.4%) and Ampol (ALD, +7.7%) contributing.

Gains in defensive sectors such as Communications Services (1.9%), Consumer Staples (+3.4%) and Health Care (2.8%) were more muted, consistent with the market rally.

Portfolio review

Key Contributors

Sandfire Resources (SFR, overweight) – our overweight position in the copper producer outperformed during the period. Copper prices rose 5% in AUD terms over the month to close at US$4.36/lb. We favour SFR as the best exposure to copper on the ASX, a commodity we view positively given declining supply and its leverage to electrification as a key material in batteries and electric motors.

Netwealth (NWL, overweight) – the leading independent wealth management platform outperformed during the month on limited news flow as high growth and higher P/E names generally performed well. We view NWL as a very high quality, high growth business with a long pathway of growth ahead.

Evolution Mining (EVN, overweight) – the gold and copper producer outperformed, with both gold (+1%) and copper (+5%) rising in AUD terms 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.

Key Detractors

Judo Capital (JDO, overweight) – the small business lender underperformed in May following a modestly negative trading update which reiterated guidance but moderated loan book size expectations and provided FY26 guidance that was slightly below consensus. Higher loan book run-off was a key feature in the guidance downgrade, partly due to proactive book management undertaken in 1H25. Despite the underperformance, we remain constructive on JDO's medium term opportunity and added to our existing small position post the trading update, seeing valuation support with the company now trading around book value.

Technology One (TNE, underweight) – the enterprise software company outperformed following another solid result demonstrating strong revenue and earnings growth along with encouraging progress in the US and UK markets, which are represent relatively new jurisdictions. Despite the positive business momentum, we find the 52-times EV/EBITDA and 97-times P/E prohibitive and see better relative opportunities elsewhere in the high growth technology space.

Life360 (360, underweight) – the location tracking software outperformed in the period following continued strong quarterly net adds data. 360 added 137k paying circles in the quarter, representing a Q1 record. Both revenue and EBITDA beat consensus expectations for the quarter. More broadly, the removal of key Trump tariffs and re-rating of the US technology sector benefited performance.

Market outlook

May saw a sharp recovery in both global and local equity markets, driven by a combination of US tariff policy reversals, strong earnings from the US tech sector, and progress through the House of Representatives of the "One Big Beautiful Bill Act", that would enact President Trump's tax and spending priorities. The strength of the rally is somewhat surprising given the weakening tone in US economic data, recent downward earnings revisions and ongoing policy uncertainty. Nevertheless, the Australian equity market performed strongly, with the S&P/ASX 200 gaining 4.2%. S&P/ASX Small Caps also kept pace with global equities, rising 5.8% and 5.9% respectively.

Other asset classes recorded mixed performance in May. Global bonds declined 0.4%, with yields rising amidst Moody's downgrade of the US's last perfect credit rating over concerns about the government's ability to repay its debt. Australian fixed interest returned 0.2%, led by corporate bonds as spreads compressed amid rising risk sentiment. The strong gold price rally paused, but gold remains up a remarkable 25% calendar year to date. The Australian dollar also continued its recovery, appreciating 0.5% month-on-month and 3.6% over the past three-months.

From our perspective, financial markets are adopting an overly optimistic assessment of how little damage US policy volatility will have on the real economy. While equity markets have quickly priced in President Trump's preponderance to back down from his policy threats – referred to by some market participants as the "TACO trade" (Trump Always Chickens Out) – the true impacts of higher prices and slower economic growth is likely to only be revealed through the second half of 2025.

Locally, Australia's fragile economic recovery again disappointed in the March quarter, with subdued consumption keeping economic growth to just 0.2% quarter-on-quarter and 1.3% year-on-year. However, we believe that the Reserve Bank of Australia (RBA) has now set its course to return interest rates to a neutral setting and will ultimately implement a deeper rate cutting cycle than expected. Our rationale is that the RBA staff's assessment of the 'neutral rate' of interest has been lowered by around 50bps. In addition, with the RBA forecasting underlying inflation to remain near the mid-point of its inflation target, it's clear the RBA is preparing to reduce interest rates steadily until it approaches the 'neutral' rate.

It is also worth noting that that the RBA has adopted an optimistic outlook on China's ability to withstand a trade war with the US and has put more weight on the currency as a transmission path for monetary policy. The implication being should China's growth data falter or the Australian dollar appreciate meaningfully, then the case for earlier and deeper rate cuts will strengthen.

This is good news for Australian-based risk assets. We expect the main beneficiaries to be the housing construction and consumer sectors. However, the unusual combination of the prospect of lower interest rates and a higher Australian dollar could provide a powerful amplifying effect for smaller companies and will likely sustain offshore investor interest in Australian assets. Should US economic data continue to soften in coming months, Australia appears well-placed to benefit both economically and from a financial market perspective.

We are most overweight stocks within Financials, Communication Services and Health Care, and are underweight Consumer Discretionary, Energy and Consumer Staples.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	9.98	5.09	4.88
Consumer Discretionary	4.83	10.51	-5.68
Consumer Staples	0.00	3.85	-3.85
Energy	0.00	4.81	-4.81
Financials	19.82	14.16	5.66
Health Care	9.63	6.59	3.04
Industrials	14.54	13.88	0.66
Information Technology	6.12	7.50	-1.38
Materials	23.00	21.87	1.12
Real Estate	9.61	10.75	-1.14
Utilities	0.00	0.98	-0.98

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Evolution Mining	6.60	2.82	3.78
CAR Group	4.53	0.00	4.53
Netwealth Group Inc.	4.49	0.72	3.77

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
CAR Group	4.53	0.00	4.53
Evolution Mining	6.60	2.82	3.78
Netwealth Group Inc.	4.49	0.72	3.77
Underweights			
Technology One	0.00	1.98	-1.98
REA Group	0.00	1.98	-1.98
JB Hi-Fi	0.00	1.89	-1.89

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	7.99	-0.66	4.56	4.18
Distribution return	1.50	7.41	5.13	3.51

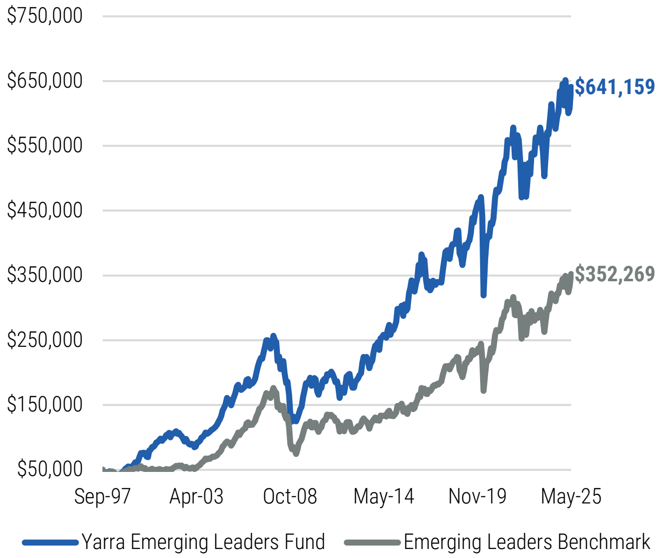
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders 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 small and medium sized Australian companies that are considered to possess strong capital growth potential. In doing so, the aim is to outperform the benchmark over rolling 3-year periods.	
Recommended investment time frame	5 - 7 + years	
Fund inception	September 1997	
Fund size	A$101.9 mn as at 31 May 2025	
APIR code	JBW0010AU	
Estimated management cost	1.25% p.a.	
Buy/sell spread	+/- 0.20%	
Platform availability	Asgard Ausmaq BT Panorama BT SuperWrap Financial Index	Hub24 Macquarie Wrap Mason Stevens MLC Wrap OneVue

Investment performance comparison of $50,000

After fees, since inception of the Yarra Emerging Leaders Fund, September 1997 to May 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 benchmark (comprising 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries 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.

Applications and contacts

Investment into the Yarra Emerging Leaders 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