YARRA CAPITAL MANAGEMENT

Investment Commentary
Month to 31 May 2025

Yarra Global Share Fund

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 Global Share Fund#	6.07	0.21	22.64	16.32	14.19	12.73	9.02
MSCI All Countries World Index^	5.14	-0.94	17.45	16.42	14.06	11.22	7.94
Excess Return‡	0.93	1.15	5.19	-0.10	0.12	1.51	1.08

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 of Yarra Global Share Fund: November 1995.
# Effective 20 March 2023, the Fund was renamed from the Nikko AM Global Share Fund to the Yarra Global Share Fund. There was no change to the Fund's investment team, philosophy or process. The Fund gains exposure to global equities by investing in the Nikko AM Global Equity Fund (Underlying Fund) (a sub-fund of the Nikko AM Global Umbrella Fund which is an open ended investment company registered under Luxembourg law as a societe d'investissement, a capital variable).
^ Benchmark: MSCI All Countries World Index (with net dividends reinvested) expressed in Australian Dollars (unhedged).
‡ Excess return: The excess return figures shown represent the difference between the Fund's return and the benchmark.

Portfolio review

The Fund returned 6.07% (after fees) in May, outperforming the Index return of 5.14% by 93 basis points (bps). Over the past 12 months, the Fund delivered a return of 22.64% per annum (p.a.), which is 519 bps p.a. ahead of the Index return of 17.45% p.a.

Key contributors to relative performance:

- Curtiss-Wright shares rose over 25%, driven by robust Q1 2025 results and an upgraded full-year outlook. Sales rose 13% year-over-year, with adjusted earnings surging on robust demand in Aerospace & Defence and commercial nuclear markets, along with operational strength in the Defence Electronics segment. This strong demand led the company to secure record new orders exceeding USD 1 billion, resulting in a book-to-bill ratio of 1.26x. Management raised guidance across sales, margins, and free cash flow. Shares were further boosted late in the month following Executive Orders from President Trump supporting the U.S. nuclear power industry.
- Broadcom continued its strong performance, supported by solid fundamentals and optimism around AI and connectivity trends. Its diversified exposure to data centers, telecom, and industrial automation, combined with leadership in analog and mixed-signal semiconductors, positions it well to benefit from AI proliferation across sectors. Similar favorable AI positioning also drove gains in Oracle Corporation and Meta Platforms.
- Microsoft shares climbed steadily, supported by strong Q3 FY2025 earnings and continued momentum in AI and cloud. Revenue grew 13%, with Azure and AI service businesses being key contributors. While Microsoft 365 Copilot adoption by over 70% of Fortune 500 firms showcased the company's enterprise AI traction. Microsoft's strategic focus on cloud and AI infrastructure investments continues to reassure investors.
- Palomar Holdings impressed investors with its Q1 2025 results, reporting strong net income growth and EPS of USD 1.87. The specialty insurer's robust underwriting performance and disciplined risk management supported earnings growth, while its diversified portfolio, spanning earthquake, flood, and hurricane insurance, provided resilience.
- NVIDIA shares rallied following a strong Q1 earnings report that beat Wall Street expectations. The AI chip leader reported 69% year-over-year revenue growth to USD 44.1 billion and EPS of USD 0.81. The results underscored Nvidia's dominance in AI infrastructure, with growth driven by sovereign AI projects and robust data center, despite headwinds in China. Analysts responded positively, with several raising price targets and reiterating buy ratings.

Key detractors from relative performance:

- Genpact underperformed despite solid Q1 2025 results, in which revenue grew 8.3% year-over-year, driven by an 11.7% increase in its Data-Tech-AI segment. While demand for AI solutions remains strong, delays in large client contracts and policy uncertainty have slowed the pace of major outsourcing projects, impacting 2025 guidance and tempering near-term investor enthusiasm.
- Elevance Health delivered strong Q1 2025 results, with revenue up 15.4%. However, the stock lagged amid sector-wide concerns over rising Medicare Advantage medical costs, triggered by a profit warning from UnitedHealth. While Elevance reaffirmed its guidance later in the month, UnitedHealth's update continues to weigh on sentiment across the managed care sector.
- Bio-Techne Corporation highlighted improved pharma end-market conditions and strong execution in Protein Sciences, sentiment toward Life Science Tools remains

poor. US government biotech funding remains in question, and potential drug price cuts continue to undermine biotech investor confidence. The same factors apply to Danaher Corporation, which also underperformed by a similar margin.

- L'Oréal's shares struggled despite a 4.4% rise in Q1 sales, driven by strong demand in Europe. The company faced headwinds in the US market and was impacted by softening global demand. While L'Oréal remains optimistic about the beauty sector's long-term outlook, near-term concerns around tariffs, US performance, and product recalls, including an acne cream due to benzene contamination, contributed to investor caution. The stocks' underperformance partly reflected a reversal of prior gains and a broader market shift toward higher-risk assets.
- Progressive Corporation, a leading U.S. auto and home insurer, reported solid April 2025 results and maintains strong fundamentals. However, a 27% gain over the past year and a fuller valuation contributed to mild underperformance. Like L'Oréal, Progressive had outperformed in prior months and likely lagged amid a risk-on market rotation.

Market review

It's always remarkable how quickly people adjust to a new norm. This was easy to observe in the first three weeks of May, as markets continued to grind higher, led by AI and technology, as if nothing had happened in April. Consumer sentiment improved in May as trade tensions eased. Progress in US trade negotiations with the European Union (EU) and a temporary delay to planned tariff hikes reduced fears of a global recession and fuelled broad-based gains across risk assets, with the MSCI All Countries World Index rising 5.14% (AUD, unhedged) over the month.

Driven by strong results and continued growth, the information technology sector was the best-performing sector. Microsoft, Broadcom, Amphenol and Oracle all delivered strong results, while Apple underperformed markedly.

The underperforming sectors were either commodity-based or defensive in nature, with health care being the only sector to post negative returns. In addition to strong returns from US equities, emerging markets continued to perform well, aided by a weaker US dollar. The worst-performing developed market was the UK, driven by weakness in consumer staples, health care and commodity sectors.

Country / regional exposure

	Fund %	Benchmark %
United States	65.20	64.15
Japan	4.41	4.99
China	1.72	2.97
United Kingdom	5.39	3.38
Canada	0.00	2.88
Europe ex UK	12.81	11.73
Asia Pacific ex China & Japan	6.87	7.63
Emerging Europe, Middle East, Africa	0.00	1.50
Latin America	0.00	0.75
Cash	3.60	0.00

Sector exposure

	Fund %	Benchmark %
Communication Services	7.50	8.42
Consumer Discretionary	16.53	10.72
Consumer Staples	7.29	6.20
Energy	0.00	3.58
Financials	18.55	17.96
Health Care	16.48	9.17
Industrials	8.91	10.99
Information Technology	18.94	24.72
Materials	2.19	3.54
Real Estate	0.00	2.04
Utilities	0.00	2.67
Cash	3.60	0.00

Top 10 holdings (underlying Fund)

	Portfolio %	Benchmark %	Country
Microsoft Corp	5.70	4.03	United States
NVIDIA Corp	4.93	4.10	United States
Amazon.com	4.38	2.40	United States
Meta Platforms Inc	4.17	1.75	United States
Netflix, Inc.	3.33	0.64	United States
Broadcom Inc.	2.93	1.33	United States
HDFC Bank Limited	2.86	0.16	India
Coca-Cola Europacific Partners plc	2.83	0.02	Netherlands
Intercontinental Exchange	2.76	0.13	United States
Haleon plc	2.71	0.06	United Kingdom

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	22.64	16.32	14.19	12.38
Distribution return	0.00	0.00	0.00	0.35

Fund growth return is the change in redemption prices over the period. Fund distribution return equals total Fund return minus Fund growth total return. Total Fund returns are post fees, pre tax using redemption prices and assume reinvestment of distributions.

Features

Investment objective	The Fund aims to achieve capital growth over the long term, with total returns (before fees) 3% above the MSCI All Countries World ex-Australia Index (with net dividends re-invested) expressed in Australian Dollars (unhedged) over rolling three-year periods.	
Recommended investment time frame	5+ years	
Fund inception	November 1995	
Fund size	A$330 mn as at 31 May 2025	
APIR code	SUN0031AU	
Estimated management cost	0.99% p.a.	
Buy/sell spread	+/- 0.15%	
Platform availability	AMP North Asgard BT Panorama Hub24 IOOF Wrap	Macquarie Wrap MLC Navigator Netwealth Praemium

Applications and contacts

Investment into the Yarra Global Share 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