Yarra Australian Equities Fund

Gross returns as at 30 June 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	0.65	7.46	12.48	13.35	12.42	8.18	10.45
S&P/ASX 200 Accumulation Index†	1.41	9.50	13.81	13.55	11.84	8.85	9.36
Excess return (before fees)‡	-0.77	-2.04	-1.33	-0.20	0.58	-0.68	1.10

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 June 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	0.58	7.25	11.56	12.36	11.44	7.20	9.46
S&P/ASX 200 Accumulation Index†	1.41	9.50	13.81	13.55	11.84	8.85	9.36
Excess return (after fees)‡	-0.83	-2.26	-2.25	-1.18	-0.40	-1.66	0.10

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 strengthened during the second quarter of 2025. Despite the uncertainty caused by the threat of US import tariffs from the Trump Administration and continued geopolitical tensions, including the Iran/Israel conflict, the market gained strongly, reversing the dip seen in the first quarter of the year.

The S&P/ASX 200 Accumulation Index returned +9.5% for the quarter taking its 12-month return to +13.8%. Similarly, the broader S&P/ASX 300 Accumulation Index returned +10.8% whilst, globally, the MSCI World Index also rose, returning +9.5% for the quarter.

Financials (+15.8%) was the highest sector contributor during the period, driven almost entirely by banks, in particular Commonwealth Bank of Australia (CBA, +22.4%), with National Australia Bank (NAB, +18.5%) and Westpac (WBC, +9.9%) also higher. Macquarie Group (MQG, +18.5%) also rose on the back of positive results, meeting consensus forecasts for the first time in eight reporting periods.

Real Estate (+13.1%) was the second largest sector contributor during the period. Goodman Group (GMG, +21.0%), Stockland (SGP, +12.9%) and Charter Hall Group (CHC, +20.1%) rose strongly on the back of strong operational performance and positive earnings guidance. Goodman Group was also supported by the return of enthusiasm for AI, with more than 50% of their current development work-in-progress dedicated to data centres.

Similarly, stocks in the Information Technology sector (+28.4%) rose sharply as enthusiasm for the AI trade returned. WiseTech (WTC, +34.2%), Technology One (TNE, +47.5%) and Xero (XRO, +16.2%) were some of largest outperformers.

Consumer Discretionary (+10.1%) and Industrials (+7.8%) also performed well, with Wesfarmers (WES, +17.7%) dominating returns in Consumer Discretionary. In Industrials, Brambles (BXB, +22.6%), Transurban (TCL, +6.9%) and Qantas Airways (QAN, +18.7%) all outperformed. Brambles outperformed on the back of strong results which confirmed pricing power, while Qantas outperformed on the back of robust results, lower fuel prices and increasing travel demand.

The only sector to post a mild negative return was Materials (-0.7%) as falling commodity process (namely iron ore (-9%)) impacted BHP (BHP, -3.8%) and Rio Tinto (RIO, -7.2%).

Portfolio review

Key Contributors

CSL (CSL, underweight) – our underweight position in the ASX's largest diversified biotech company contributed to returns, as multiple headwinds built up across the group which is putting pressure on its medium-term profit growth trajectory. Specifically, these pressures include increased competition and market share for the core plasma business, a subdued flu vaccination demand environment for the Seqirus business in the USA, and the potential negative impact of pending US pharmaceutical tariffs which are expected to mostly impact the profitability of their predominantly European manufacturing exposed division, Vifor.

NextDC (NXT, overweight) – the data centre owner and developer outperformed during the period, driven by record growth in contracted utilisation and a surge in AI-related customer wins. During the quarter, NXT announced contracted capacity increases of 68MW to 244MW (+39%), driven primarily by an AI focused hyperscale contract win in Melbourne and a smaller hyperscale win in the new Kuala Lumpur (KL1) facility.

Block Inc (XYZ, overweight) – the US financial technology company bounced back following a disappointing annual result earlier in the year. Recent strength can be attributed to the market becoming more comfortable with the outlook for the US consumer and XYZ's current financial year guidance. We remain positive on the company's growth, with our thesis supported by the expectation of improved growth underpinned by new merchant wins, and improved monetisation driven by users directly depositing their wages in CashApp (only 2.5mn users out of 57mn currently).

Key Detractors

Treasury Wine Estates (TWE, overweight) – the global winemaking business underperformed during the period, with distributor changes, tariff uncertainty and softening consumer datapoints weighing on expectations. Although FY25 trading was broadly in-line with consensus, TWE's FY26 outlook indicated a decline in sell-through in US Luxury brands and modest revisions to Penfolds guidance. However, we remain confident on the longer-term outlook for Penfolds (>60% EBIT) and believe TWE is approaching an inflection point in its product portfolio which is not being captured in the valuation at present (12.5-times FY26 P/E vs 22.9 times for the 10-year average).

Ansell (ANN, overweight) – with around 40% of group sales in the USA, the global PPE (personal protective equipment) manufacturer and distributor underperformed during the period, primarily due to the announced U.S. import tariffs which are expected to increase the cost of purchasing raw materials from their Asia Pacific concentrated manufacturing footprint. Notwithstanding this challenge, we believe the PPE industry has some capacity to offset this with higher pricing, while ANN's differentiated product range (boosted by the Kimberley Clarke acquisition) provides additional benefit. Looking forward, we see solid demand growth across ANN's key end markets returning, delivering stronger top-line performance for ANN's Industrial division.

National Australia Bank (NAB, underweight) – the major Australian bank outperformed during the period despite an underwhelming half-year result which demonstrated continued flat pre-provision earnings. Whilst Australian banks have been the beneficiary of a shift in global equity allocations towards countries relatively unaffected by US trade restrictions, we continue to believe that the elevated valuations of Australian banks are not supported by the low growth and return outlook for the sector.

Market outlook

Another month of heightened geopolitical tensions in June did little to dent risk appetite. The S&P/ASX 200 returned +1.4% for the month, building on the +4.2% surge in May. However, Small Caps and REITs lagged the ASX200, returning +0.8% and +0.5%, respectively.

Global equities rose +1.9% in June in unhedged A$ terms, however, a strong +2.3% A$ rise in the month eroded a +4.3% return in the month that was available for hedged global equities. The strong A$ rise was aided by US dollar weakness and a bounce in commodities which returned +4.5% in June.

Gold returned a more modest +0.4%, following a flat May. Despite two relatively modest months, gold has delivered a return of +26% in 1H25 and +42% over the year, easily the best performing asset class.

In fixed interest markets, global bonds returned 1.9% in June and 4.5% for the quarter, whereas Australian fixed interest returned a more modest 0.7% return in June and 2.6% for the quarter. Within Australian fixed income markets, government bonds were the best performing in June, returning 0.8% for the month.

Ranking 1H25 returns reveal that, excluding gold, hedged global equities led the way with a +9.5% gain. The S&P/ASX 200, S&P/ASX Small Ordinaries and the A$ each returned +6.4% over the same period. This reinforces our suggestion since the start of 2025 for investors to consider hedging international equity exposure in 2025. Notably, global bonds returned an impressive +7.3% in 1H25, easily eclipsing the +4% return from local bonds, despite ongoing fears of unstainable US fiscal debt accumulation.

Locally, Australia's fragile economic recovery again disappointed in the March quarter, with subdued consumption holding economic growth to +0.2% (q/q) and +1.3% (y/y). However, we believe that the RBA has now set its course to return interest rates to a neutral setting and will ultimately deliver a deeper rate cutting cycle than expected. Our rationale is that the RBA's assessment of the 'neutral rate' of interest has been lowered by around 50 bps and, combined with the RBA now forecasting underlying inflation to be around the mid-point of the inflation target throughout its forecasts, it is clear that the RBA in now setting to reduce interest rates at a regular cadence until it approaches the 'neutral' rate.

It is also worth noting that that the RBA has adopted an optimistic assumption for 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 A$ appreciate meaningfully, then the case for earlier and deeper rate cuts can be made.

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

We are most overweight stocks within the Materials, the Information Technology and Utilities and are underweight Financials, Consumer Discretionary and Real Estate.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	7.09	3.98	3.12
Consumer Discretionary	4.79	7.82	-3.02
Consumer Staples	2.50	3.67	-1.17
Energy	5.49	3.79	1.70
Financials	28.71	35.22	-6.50
Health Care	8.40	9.13	-0.72
Industrials	7.01	7.40	-0.39
Information Technology	6.90	3.33	3.57
Materials	21.43	17.49	3.94
Real Estate	4.12	6.82	-2.69
Utilities	4.91	1.37	3.54

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Commonwealth Bank of Australia	9.24	12.04	-2.80
BHP Group	9.09	7.27	1.82
Westpac Banking	6.22	4.51	1.71

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
Woodside Energy	5.49	1.75	3.74
ResMed	4.11	0.91	3.20
Block	3.14	0.22	2.92
Underweights			
National Australia Bank	0.00	4.70	-4.70
Wesfarmers	0.00	3.75	-3.75
Macquarie Group	0.00	3.16	-3.16

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	6.76	7.47	2.39	-1.54
Distribution return	4.80	4.90	9.05	8.73

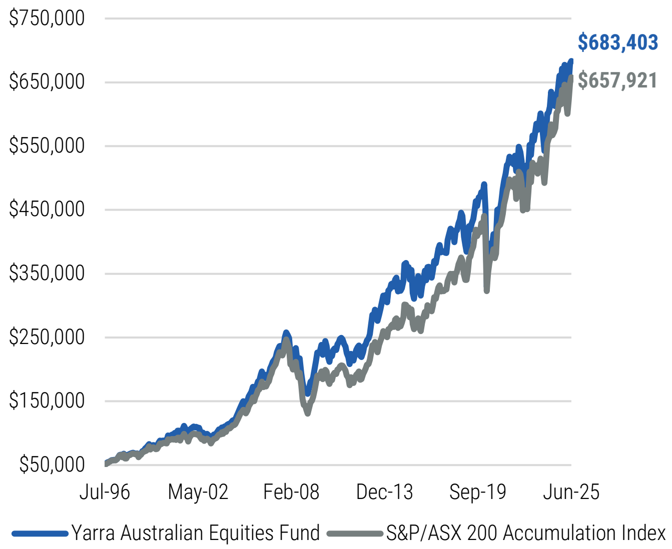
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders 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$129.8 mn as at 30 June 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 June 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

Investor Services Team 1800 034 494 (Australia) +61 3 9002 1980 (Overseas) IST@yarracm.com

Disclaimers

Yarra Funds Management Limited (ABN 63 005 885 567, AFSL 230 251) ('YFM') is the issuer and responsible entity of a range of registered managed investment schemes, which includes those named in this document ('Funds'). YFM is not licensed to provide personal financial product advice to retail clients. The information provided contains general financial product advice only. The advice has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client's objectives, financial situation or needs. Prior to investing in any of the Funds, you should obtain and consider the product disclosure statement ('PDS') and target market determination ('TMD') for the relevant Fund by contacting our Investor Services team on 1800 034 494 or from our website at www.yarracm.com/pdsupdates/. The information set out has been prepared in good faith and while Yarra Funds Management Limited and its related bodies corporate (together, the "Yarra Capital Management Group") reasonably believe the information and opinions to be current, accurate, or reasonably held at the time of publication, to the maximum extent permitted by law, the Yarra Capital Management Group: (a) makes no warranty as to the content's accuracy or reliability; and (b) accepts no liability for any direct or indirect loss or damage arising from any errors, omissions, or information that is not up to date. No part of this material may, without the Yarra Capital Management Group's prior written consent be copied, photocopied, duplicated, adapted, linked to or used to create derivative works in any form by any means.

YFM manages each of the Funds and will receive fees as set out in each PDS. To the extent that any content set out in this document discusses market activity, macroeconomic views, industry or sector trends, such statements should be construed as general advice only. Any references to specific securities are not intended to be a recommendation to buy, sell, or hold such securities. Past performance is not an indication of, and does not guarantee, future performance. Information about the Funds, including the relevant PDSs, should not be construed as an offer to any jurisdiction other than in Australia. With the exception of some Funds that may be offered in New Zealand from time to time (as disclosed in the relevant PDS), we will not accept applications from any person who is not resident in Australia or New Zealand. The Funds are not intended to be sold to any US Persons as defined in Regulation S of the US federal securities laws and have not been registered under the U.S. Securities Act of 1933, as amended.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. Holdings may change by the time you receive this report. Future portfolio holdings may not be profitable. The information should not be deemed representative of future characteristics for the strategy. There can be no assurance that any targets stated in this document can be achieved. Please be advised that any targets shown are subject to change at any time and are current as of the date of this document only. Targets are objectives and should not be construed as providing any assurance or guarantee as to the results that may be realized in the future from investments in any asset or asset class described herein. If any of the assumptions used do not prove to be true, results may vary substantially. These targets are being shown for informational purposes only.

© Yarra Capital Management, 2025.