YARRA CAPITAL MANAGEMENT

Investment Commentary
Month to 30 June 2025

Yarra Global Share Fund

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 Global Share Fund#	2.90	7.84	22.19	18.72	14.49	13.37	9.10
MSCI All Countries World Index^	2.61	6.05	18.38	19.23	14.77	11.81	8.01
Excess Return‡	0.29	1.79	3.81	-0.51	-0.28	1.57	1.09

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 2.90% (after fees) in June, to outperform the Index return of 2.61% by 29 basis points (bps). For the 12 months to the end of June, the Fund's return of 22.19% is 381 bps ahead of the Index return of 18.38% p.a.

Key contributors to performance:

- Oracle Corporation reported fiscal fourth-quarter beats on both the top and bottom lines, driven by strong performance in its applications and Oracle Cloud Infrastructure (OCI) segments. Management significantly raised their guidance for fiscal 2026, projecting 16% top-line growth. The company remains in the early stages of a growth inflection, benefiting from multiple tailwinds across its cloud, database, and application businesses. On the final day of June, management also announced a multi-client cloud services contract reportedly worth US Dollars 30 billion per annum.
- Meta Platforms Inc.'s performance was bolstered by strong investor support of its aggressive investment in AI infrastructure and continued growth in advertising revenue. Its Reality Labs division showed signs of stabilization, with improved margins and increased user engagement on its VR platforms. Analysts noted Meta's dual strategy of monetizing AI tools for advertisers while building long-term value through immersive technologies. The company also benefited from the broader rally in AI-related stocks.
- Broadcom Inc. entered the ranks of the top 10 most valuable companies globally, with a market cap exceeding US Dollars 1.2 trillion by the end of June. Its performance was propelled by strong demand for custom chips used in AI data centres. Major customers such as Meta Platforms Inc. and Alphabet Inc. highlighted Broadcom's critical role in their infrastructure, particularly in networking chips that optimize data flow between servers. This endorsement, combined with massive AI-related capital expenditure plans, positions Broadcom as a key beneficiary of the AI boom.
- NVIDIA Corporation continued its meteoric rise in June, surpassing a market capitalization of US Dollars 3.5 trillion and becoming the most valuable company globally. The surge was fuelled by relentless demand for its GPUs, which are central to AI training and inference workloads. NVIDIA remains the cornerstone of AI infrastructure, with nearly every major tech firm relying on its chips. Customers continue to increase their spending despite the already massive scale, partly driven by the recognition among nation states that AI will be a critical component of national defence strategies.
- Curtiss-Wright Corporation's performance was driven by strong tailwinds in the defence sector and robust quarterly results. Recent contract wins with the U.S. Department of Defense and NATO allies have bolstered its backlog. Analysts cited Curtiss-Wright's operational efficiency and strategic acquisitions in the defence electronics space as key growth drivers, while its unique exposure to nuclear power is beginning to gain market recognition.

Key detractors from performance:

- Haleon plc's shares experienced a slight decline amid a broader 'risk-on' market environment, which was not conducive to defensive companies like Haleon. This came despite strategic moves such as appointing a new Chief R&D Officer and expanding its AI-driven research partnerships. The company continues to face headwinds from sluggish demand for cold and flu products outside North America and a weaker-than-expected flu season.
- As investors rotated into growth stocks—particularly large-cap tech—in June, prior winners like the insurance sector saw profit-taking. Palomar Holdings, Inc., a strong performer earlier in the year, was among those affected.

Anticipating this, the manager trimmed the position ahead of the pullback, they remain confident in its fundamentals. Similarly, Progressive Corporation and Ryan Specialty Holdings, Inc. gave back some earlier gains. While Progressive continues to deliver strong policy growth and operational efficiency, its elevated valuation raised concerns about near-term upside. Nonetheless, its pricing models and underwriting discipline remain key strengths. The manager also remains positive on Ryan's long-term outlook.

- Trip.com Group Ltd. shares traded down reflecting investor concerns over the pace of recovery in outbound Chinese tourism and broader macroeconomic headwinds. While domestic travel showed a gradual rebound, international bookings remained soft due to lingering visa restrictions and geopolitical tensions - particularly affecting travel to Europe and North America. The company's management also flagged rising marketing expenses and competitive pricing strategies as factors weighing on margins.

Market review

Global equity markets rose over 2% (AUD, unhedged) during the month, with many indices breaking to new highs as financial markets metaphorically reached for the stars. The second quarter of 2025 began with Liberation Day, popularised by United States of America President Donald Trump as a symbolic milestone for economically freeing the US from global dependence. Yet, investors worldwide looked to the heavens not for stars, but for a different kind of liberation, as traditional economic frameworks were cast aside. Markets shrugged off the impact of tariffs and the potential consequences of the Israel-Iran war.

Continued investor confidence, bolstered by sovereign spending on Artificial Intelligence (AI), supported mega-cap tech stocks. However, performance was uneven - Tesla, Inc. significantly underperformed following the Trump-Musk fallout, perhaps reflecting investor scepticism about the timeline for the Robotaxi revolution.

The Information Technology (IT) and Communication Services sectors once again led the way, driven by AI momentum. In contrast, Health Care continued to lag due to earnings disappointments and persistent negative headlines. Other defensive sectors - Consumer Staples, Utilities, and Real Estate - also underperformed. Consumer Discretionary faced headwinds from household budget pressures, while fellow cyclicals, Industrials and Financials, only slightly underperformed.

Easing trade tensions between the US and China, along with a weakening dollar, provided a tailwind for Asian equities, which outperformed alongside Latin America. All major equity markets posted positive returns, with the UK and Japan trailing.

Despite unusual volatility, markets continued to climb, defying the gravitational pull of high interest rates and weakening survey data. Growth remains elusive, but liquidity is flowing through the system, supporting asset prices. As summer begins in the Northern Hemisphere, markets are riding a wave of uneasy optimism. To the heavens we go - but how high, and for how long, only time will tell.

Country / regional exposure

	Fund %	Benchmark %
United States	67.79	64.37
Japan	4.25	4.87
China	1.52	2.97
United Kingdom	4.88	3.27
Canada	0.00	2.87
Europe ex UK	12.51	11.56
Asia Pacific ex China & Japan	6.71	7.80
Emerging Europe, Middle East, Africa	0.00	1.54
Latin America	0.00	0.76
Cash	2.33	0.00

Sector exposure

	Fund %	Benchmark %
Communication Services	8.12	8.60
Consumer Discretionary	17.94	10.39
Consumer Staples	7.07	5.83
Energy	0.00	3.56
Financials	16.99	17.84
Health Care	15.35	8.87
Industrials	9.24	10.92
Information Technology	20.85	25.93
Materials	2.12	3.48
Real Estate	0.00	1.96
Utilities	0.00	2.62
Cash	2.33	0.00

Top 10 holdings (underlying Fund)

	Portfolio %	Benchmark %	Country
Microsoft Corp	5.92	4.18	United States
NVIDIA Corp	5.54	4.58	United States
Meta Platforms	4.57	1.92	United States
Amazon.com	4.51	2.49	United States
Netflix	3.55	0.68	United States
Broadcom	3.21	1.46	United States
Oracle Corp	2.95	0.44	United States
HDFC Bank Limited	2.83	0.16	India
Coca-Cola Europacific Partners	2.75	0.03	Netherlands
Uber Technologies	2.63	0.21	United States

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	22.19	18.72	14.49	13.16
Distribution return	0.00	0.00	0.00	0.21

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$338 mn as at 30 June 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

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