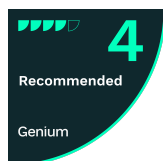


Yarra Emerging Leaders Fund

11 AUGUST 2025

Genium Investment Partners



APIR Code/ASX Ticker	JBW0010AU	Inception Date	30/09/1997
Asset Class	Australian Equities	Strategy FUM (AUD)	\$1.7 Bn
Sub-Asset Class	Mid-cap	Fund FUM (AUD)	\$240 M
Manager Benchmark	50% Midcap 50 + 50% Small Ordinaries	Fee	1.25%

Key Things You Need To Know

- Essentially two sleeves a mid-cap one managed by Dion Hershan and a small-cap managed by Katie Hudson and Michael Steele
- The combined portfolio management approach strengthens the overall offering
- Qualitative and quantitative screens ensure a differentiated portfolio
- Team collaboration, macro insights, plus input from the credit team enhances research depth and portfolio decisions
- Capacity is nearing limits, raising liquidity concerns in small-cap holdings

Role in Portfolio

This would form a small allocation in an overall Australian equity portfolio, blending well with large cap managers.

Risks

- Large funds under management in small-caps can inhibit manoeuvrability in small-caps
- May lag when small-caps rally strongly compared to mid-caps

Asset Management Firm

Yarra Capital

Portfolio Manager/s
Dion Hershan, Katie Hudson & Michael Steele

Number of Holdings
30 - 55

Turnover
30% - 50% (Typically)

Analyst
Justin Walsh

Head of Research
Tim Murphy, CFA, CAIA

Genium's View

Combining the portfolio management skills of the senior team members is a key attraction of the Yarra Emerging Leaders Fund. Dion Hershan, Head of Equities, oversees mid-cap stocks (stocks in the 50 – 100), while Katie Hudson, Head of Research, and Michael Steele co-manage the small-cap segment (ie ex-100). While this fund has struggled to consistently outperform its blended benchmark in recent years we think the experience and rigour of the three portfolio managers combined with the depth of research is likely to lead to a resurgence in performance.

The investment process is methodical and well-structured. The team defines its universe by maintaining a high-interest list of 90 stocks and a broader watchlist of 200. Idea generation combines qualitative and quantitative screening to ensure a differentiated pipeline. Stock analysis is comprehensive, evaluating industry dynamics, competitive positioning, management quality, and execution history. Valuation techniques include discounted cash flow (DCF), free cash flow yields, and asset-based models. Portfolio construction emphasizes balance and risk framing, typically splitting exposure evenly between mid-50 and ex-100 stocks.

Close collaboration between analysts and portfolio managers fosters a strong team dynamic. The team also draws on macroeconomic insights from in-house economist Tim Toohey, which are particularly valuable for the domestically focused ex-50 portfolio. Credit research from the fixed income team adds further depth. Position sizing reflects a disciplined approach, aligning expected upside with risk. The portfolio typically holds 30–55 stocks and maintains minimal cash (averaging just over 1%).

Capacity is a watchpoint. The firm targets a soft close at 0.6% and a hard close at 0.7% of the Small Ordinaries Index, with a current firm-wide hard cap of \$3 billion in ex-100 assets. Current holdings total approximately \$2.6 billion, suggesting limited headroom. While Yarra's approach remains sound, managing liquidity in small caps may become increasingly challenging.

With three portfolio managers and input from eight analysts the team is well resourced. Yarra was a result of a management buyout in 2016 which was backed by the private equity firm TA Associates. It acquired the Australian business of Nikko Asset Management in 2021. Ownership is split between staff (40%), TA Associates (40%), and Nikko (20%), with Hershan, Hudson, and Steele among the shareholders.

While size is becoming an increasing challenge a reasonable fee and deep research along with capable portfolio managers indicate that Yarra Emerging Companies Fund is a fine option for those seeking an ex-Top 50 Australian equity portfolio.

ESG



Analysts assess ESG at the company level, completing scorecards covering 13 weighted factors across E, S & G. Scorecards inform valuations through scenario analysis and financial projections where appropriate. ESG impacts on stock ratings are noted, the firm actively engages companies on ESG issues. An ESG assessment of Aware is appropriate.

Trailing Performance

	Fund	Manager Benchmark
1 Year	13.33%	14.41%
3 Years pa	11.33%	11.81%
5 Years pa	9.54%	9.96%
10 Years pa	8.48%	9.64%

Source: Manager, net of fees, as at 30/06/2025

Performance Consistency

Up Market Capture	99%
Down Market Capture	85%
Success Rate	54%

Source: Manager, net of fees. Since inception as at 30/06/2025

Risk

	Fund	Manager Benchmark
3yr StdDev	15.06%%	14.91%
Max Drawdown	-51.60%	-57.86%
Bear Mkt Correlation	0.90	-

Source: Manager, net of fees. Since inception as at 30/06/2025

Associated Funds

APIR/ASX codes

JBW3254AU	-
-	-

Process

The investment process begins with defining the universe, where the team maintains a focused list of around 90 high-interest stocks and a broader watchlist of 200. Idea generation is driven by both qualitative and quantitative screening to uncover differentiated opportunities. Stock analysis is thorough, assessing industry structure, competitive positioning, value chain dynamics, management quality, and execution history, supported by detailed modelling and valuation techniques such as DCF. Portfolio construction aims to balance risk and return through stock-specific insights, with allocations typically split evenly between mid-cap (top 50–100) and small-cap (ex-100) stocks, with active weights of over 4% for companies with high expected rewards at the low end of assessed risk. The portfolio will typically hold 30 – 55 stocks and have low cash levels, typically around 1%.

People

The team looking after this fund comprises three portfolio managers including Head of Equities Dion Hershan and eight analysts. The other two are Katie Hudson, Head of Research and Michael Steele. Hudson and Steele are portfolio managers for the small caps portion (ex-100) while Hershan looks after those stocks in the 50 to 100. Of the eight analysts recent joiners are Hugh Morgan (resources) and David Schwartz (consumer and industrials). As well there is a dedicated small cap analyst Matt Wong. There are other resources such as Mark O'Neil who oversees portfolio construction, risk, and trading.

Parent

Yarra was formed as a result of a management buyout in 2017 which was backed by the private equity firm TA Associates. It then acquired the Australian business of Nikko Asset Management in 2021. Current ownership is 40% staff, 40% TA Associates and 20% Nikko. Importantly, senior Yarra staff including Hershan, Hudson and Steele are equity owners.

Performance

	2020	2021	2022	2023	2024
Fund	4.94%	19.96%	-12.54%	12.87%	6.55%
Manager Benchmark	13.13%	19.13%	-12.46%	7.82%	10.46%

Source: Manager, net of fees

The fund has a long and successful track record, having launched in 1997. However, over the past decade, it has moderately underperformed its benchmark, which is 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries Accumulation Index. In the six months to 30 June 2025, overweights in Evolution Mining and Megaport, along with not holding IDP Education, added value. In contrast, overweights in Block and Reliance Worldwide were the largest detractors. During the 2024 calendar year, positions in Pinnacle, Netwealth, and Evolution Mining contributed positively, while overweights in Iluka Resources, Sims, and Auckland Airport detracted. In 2023, overweights in Reliance Worldwide and Carsales added value, positions in Iluka Resources, Healius, and Alumina detracted.

Price

The fund charges a fee of 1.25% which is reasonable, there is no performance fee. There is also a managed account share class.

Other disclosures, disclaimers and certificates

Research Ratings Definitions



Genium recommends securities as follows:

Highly Recommended - Genium has the highest conviction that the strategy can meet its stated investment objective and exceed its relevant peer group. The strategy has identifiable competitive advantages across most of Genium's assessment criteria.

Recommended - Genium believes the strategy can meet its stated investment objective and exceed its relevant peer group. The strategy has identifiable competitive advantages across several of Genium's assessment criteria.

Investment Grade - Genium believes the strategy can meet its investment objective and match its relevant peer group. The strategy has some identifiable competitive advantages across Genium's assessment criteria, but also some areas for improvement.

Hold - The strategy rating is suspended for a temporary period (up to 12 months) while material changes to the strategy are considered and assessed by Genium. No new investment is advised during this time.

Sell - Genium believes the strategy has significant flaws that may prevent it from meeting its investment objective and matching its relevant peer group. Investors should consider alternative strategies in the sector.

ESG Assessment Definitions



Genium recommends securities as follows:

Leader - ESG factors are a dedicated focus of the investment process, and this can include Impact and ESG thematic strategies. Genium identifies ESG influence as a dominant factor on the portfolio.

Integrated - ESG factors are a discernible input to the investment process. Genium identifies clearly measurable ESG influence on the portfolio.

Aware - The strategy takes consideration of ESG factors in its process, but they aren't a major part of the investment approach. In Genium's assessment they don't alter the end portfolio in a meaningful way.

Low - The strategy has little or no regard for ESG factors.

General disclosures

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