

Yarra Growth Fund

Net returns as at 30 June 2025

	1 month %	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.
Total Fund return (net)	1.76	6.74	4.98	16.20	12.85	10.82	7.77	7.26
Fund growth return (net)	-7.99	-3.49	-5.08	4.64	7.98	6.47	2.13	1.82
Fund distribution return (net)	9.75	10.23	10.06	11.56	4.87	4.35	5.65	5.44
Benchmark*	1.86	6.58	4.97	15.03	14.72	11.64	9.29	8.47

Source: YFML, Citi. Total Fund net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Fund growth return is the change in redemption prices over the period. Fund distribution return equals Total Fund minus Fund growth return. Past performance is not an indicator of future performance. Inception date: February 1996.

* The Fund's benchmark is a composite index constructed using the applicable asset class index, weighted according to the Fund's benchmark asset allocation of: 15% of Bloomberg AusBond Composite 0+ YR Index for Australian fixed interest, 30% of S&P/ ASX 200 Accumulation Index for Australian shares, 50% of MSCI All Countries World Index Net Total Return AUD Index (unhedged) for overseas shares, 0% of S&P/ASX 300 Australian Real Estate Investment Trusts (A-REITs) Accumulation Index for property securities (effective 16 December 2013. Prior to this was the S&P/ASX 200 A-REITs Accumulation Index), and 5% of Bloomberg AusBond Bank Bill Index for Cash.

Portfolio review

The Fund returned 6.74% for the quarter, outperforming its composite benchmark return of 6.58% by 16 basis points.

Australian Equities

The Fund's Australian Equities allocation outperformed over the quarter. The primary holding, the Yarra Australian Equities Fund, delivered strong relative performance. The smaller allocation to the Yarra ex-20 Australian Equities Fund faced a more challenging period, while the holding in the Tyndall Australian Small Companies Fund contributed positively to overall returns, having delivered a strong performance over the quarter.

The S&P/ASX 200 Accumulation Index rose 9.50% in the June quarter, despite ongoing tariff uncertainty and geopolitical tensions, including the Iran-Israel conflict. Sector performance was broadly positive, with Information Technology leading the way (+28.38%), Financials (+15.76%), Communication Services (+14.10%), Real Estate (+13.10%), and Consumer Discretionary (+10.15%). Other sectors also posted gains—Energy (+9.26%), Industrials (+7.79%), Consumer Staples (+3.97%), Health Care (+2.69%), and Utilities (+2.03%)—while Materials (-0.65%) was the only sector to decline slightly.

Key relative contributors to performance included an underweight position in CSL Limited, its shares came under pressure as it faces multiple headwinds including rising competition in its core plasma business, weaker U.S. flu vaccine demand in its Seqirus division, and potential tariff impacts on its European-exposed Vifor unit. NextDC, 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. Block Inc., the U.S. financial technology company, outperformed as its share price rebounded from earlier weakness following a disappointing

annual result. Recent strength reflects improved market confidence in the outlook for the U.S. consumer and the company's current-year guidance.

Notable detractors to relative performance included Treasury Wine Estates, the global winemaker, underperformed during the period as distributor changes, tariff uncertainty, and softening consumer data weighed on market expectations. Ansell Limited, a global PPE manufacturer with around 40% of sales in the U.S., underperformed during the period due to announced U.S. import tariffs. These are expected to raise raw material costs, given the company's Asia-Pacific-focused manufacturing footprint. An underweight position in National Australia Bank detracted from performance, as the stock outperformed despite an underwhelming half-year result, that showed flat pre-provision earnings.

Global Equities

The Fund's Global Equities allocation outperformed over the quarter, driven primarily by the Yarra Global Share Fund. While this core holding delivered strong relative performance, the smaller allocation to the Yarra Global Small Companies Fund detracted slightly from overall performance. The MSCI AC World Index, measured in AUD (unhedged), recorded a gain of 6.05% over the quarter.

The quarter began with "Liberation Day," a symbolic milestone championed by President Trump. Both stock and bond markets reacted negatively: equities fell more than 10% in just a few days, while rising bond yields acted as a guardrail against Trump's policy ambitions. In response, the U.S. softened its stance, pausing tariffs and reaching a preliminary trade agreement with China. Markets rebounded swiftly, developed market equities rose over 25% from the lows, with global equities delivering a 6% return for the quarter (AUD, unhedged).

Mega-cap tech stocks led gains amid a strong earnings season, though Apple lagged significantly. Underperformers included healthcare, energy, and insurance. A weakening U.S. dollar and easing trade tensions supported Asian, Canadian, and Australian equities, while European indices outperformed modestly.

Information Technology and Communication Services remained strong on continued AI momentum, while Health Care and other defensive sectors lagged. Despite geopolitical tensions, including the Iran-Israel conflict, oil prices fell, making Energy the weakest sector.

Markets continued to climb despite high rates and soft economic data. Growth remains uncertain, but liquidity is fuelling risk assets. As summer unfolds, markets hover at new highs—cautiously optimistic, yet fragile.

Key contributors over the quarter included Oracle Corporation, a global enterprise software and cloud services provider, which reported fiscal fourth-quarter beats on both the top and bottom lines, driven by strong performance in its applications and OCI segments. Management also significantly raised their guidance for 2026, projecting 16% top-line growth. The company remains in the early stages of its growth inflection, benefiting from multiple tailwinds across its cloud, database, and application businesses. Netflix, Inc. also performed strongly, driven by robust subscriber growth and better-than-expected financial results. While Broadcom Inc. entered the ranks of the top 10 most valuable companies globally, with a market capitalisation exceeding US Dollars 1.2 trillion by the end of June. Its performance was fuelled by strong demand for custom chips used in AI data centres.

Notable detractors included Bio-Techne Corporation, a life sciences and diagnostics company, which reported 9% organic revenue growth but missed earnings expectations. Despite strong margin improvements, lingering uncertainty in the biopharma end-market dampened investor sentiment. Elevance Health, Inc., a leading U.S. health insurer, came under pressure ahead of its Q2 earnings, amid concerns over rising medical costs and regulatory headwinds in Medicare Advantage—weak updates from peer UnitedHealth further concerned investors. Despite solid Q1 results, sentiment remained cautious due to expected margin compression in the second half. Genpact Limited, a global professional services firm, experienced a sharp slowdown in its core Digital Operations segment, prompting a downgrade to its full-year revenue growth forecast. The revision was driven by delays in large contract signings amid increased uncertainty from Trump's tariffs. While its Data-Tech-AI Solutions segment grew over 11%, it couldn't offset broader business weakness.

Australian Fixed Interest

The Fund's Australian fixed interest allocation, primarily invested in the Yarra Australian Bond Fund, outperformed its benchmark over the quarter. A small allocation was also made to the Yarra Enhanced Income Fund during the period.

The Australian bond market (as measured by the Bloomberg AusBond Composite 0+ Yr Index) returned 2.63%. Bond yields

and credit spreads were highly volatile over the quarter, driven by mixed economic data and a series of global events. Key influences included U.S. tariff policies, central bank actions, and heightened geopolitical tensions—particularly the conflict between Iran and Israel. U.S. trade and security policy remained a dominant market driver. Domestically, the RBA's May rate cut and evolving expectations for further easing, alongside key economic indicators such as CPI and labour market data, played significant roles in shaping market expectations and yield movements. The Fund's performance was influenced by duration positioning, sector allocation, and market reactions to these developments.

Both 3-year and 10-year government bond yields fluctuated throughout the quarter but ended significantly lower. The yield curve steepened, with 3-year yields falling by twice as much as 10-year yields. The Fund benefited from both the decline in yields and the steepening of the curve.

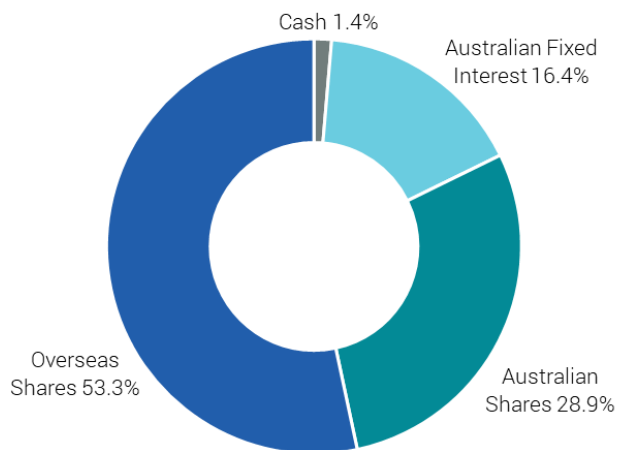
Sector positioning favoured an overweight to spread, primarily in senior financials, residential mortgage-backed securities, and high-grade corporates with maturities out to 5 years. The semi-government sector experienced volatility, with spreads widening initially due to state budget concerns but recovering in later part of the quarter as budget outcomes proved to be slightly better than feared. This sector allocation contributed positively to performance over the quarter.

The Fund remains positioned to benefit from a steepening yield curve, with an overweight to spread in senior financials, residential mortgage-backed securities, and high-grade corporates. The semi-government sector, despite some volatility, is expected to offer higher relative value. The higher volatility in financial markets has been a benefit to investors as it provides more opportunities for the fund.

Strategic Asset Allocation

Asset Class	Target Allocation (%)	Range (%)
Australian Shares	30	20-45
International Shares (unhedged)	50	35-65
Property Securities	0	0-10
Total growth assets	80	70-95
Australian Fixed Interest	15	5-25
Cash	5	0-20
Total income assets	20	5-30

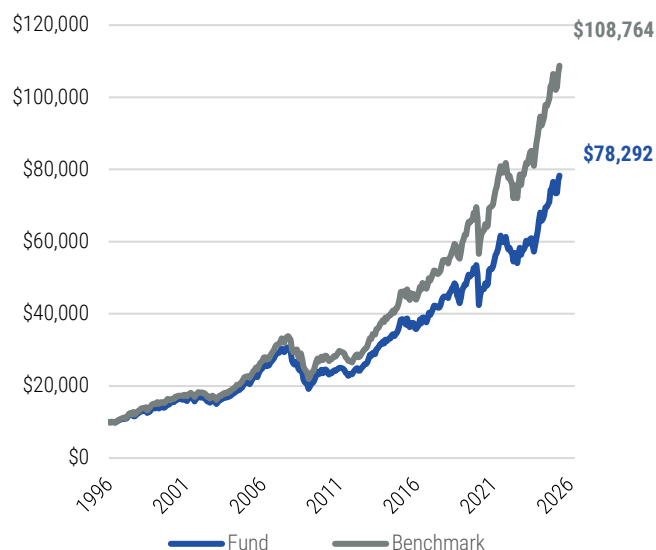
Asset Allocation at Quarter End



Source: YFM, Citi

Performance Graph

Value of \$10,000 invested in the Yarra Growth Fund since inception:



Source: Citi & YFM. Past performance is not an indicator of future performance.

Market Outlook

Another month of heightened geopolitical tensions in June did little to dent risk appetite. The S&P/ASX200 returned 1.4% for the month, building on the 4.2% surge in May. However, Small Caps and REITs lagged the ASX200, rising by 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 the month of June. Gold returned a more modest 0.4%, following a flat return in 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/ASX200, 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 to consider hedging international equity exposure in 2025. Notably, global bonds returned an impressive 7.3% in 1H25, easily eclipsing 4% return from local bonds, despite ongoing fears of unsustainable US fiscal debt accumulation.

Locally, Australia's fragile economic recovery again disappointed in the March quarter, with subdued consumption holding economic growth to just 0.2% quarter-on-quarter and 1.3% year-on-year. 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 staff's assessment of the 'neutral rate' of interest has been lowered by around 50bps 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 is now setting to reduce interest rates at a regular cadence until it approaches the 'neutral' rate. It is also worth noting that the RBA have 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.

Fund Objective

The Fund aims to provide a modest level of capital growth and income over the medium to long-term, with total returns (before taxes, fees and expenses) above the Fund's benchmark over rolling five-year periods.

Key Facts	
Responsible Entity Yarra Funds Management Limited	Management Cost 1.15% p.a.
APIR Code SUN0021AU	Buy/Sell Spread 0.15%/0.15%
Fund Size A\$69 mn as at 30 June 2025	Distribution Frequency Half Yearly
Minimum Investment AUD 2,000	

Contact Us

Yarra Capital Management

Level 19

101 Collins Street

Melbourne VIC 3000, Australia

Phone (Australia) 1800 034 034

Phone (Overseas) +61 3 9002 1980

Email IST@yarracm.com

Website www.yarracm.com

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