

Yarra Australian Smaller Companies Fund

Gross returns as at 31 August 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception* % p.a.
Yarra Australian Smaller Companies Fund	8.18	11.97	25.42	12.41	11.85	11.85
S&P/ASX Small Ordinaries Accumulation Index	8.41	12.42	23.40	9.80	7.91	7.91
Excess return (before fees)†	-0.24	-0.44	2.02	2.61	3.95	3.95

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 31 August 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception* % p.a.
Yarra Australian Smaller Companies Fund	8.10	11.73	24.36	11.46	10.91	10.91
S&P/ASX Small Ordinaries Accumulation Index	8.41	12.42	23.40	9.80	7.91	7.91
Excess return (after fees)†	-0.31	-0.68	0.96	1.66	3.01	3.01

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 Smaller Companies Fund: August 2020.

† Excess return: The difference between the portfolio's return and the benchmark return.

Market review

The Australian small caps market strengthened significantly during the month of August. In August the Reserve Bank of Australia ('RBA') cut the cash rate to 3.60% in line with market expectations. Reporting season saw price to earnings multiples continue to grow as earnings lagged, and while several economic indicators remain resilient there are expectations that further rate cuts will follow.

The S&P/ASX Small Ordinaries Index returned +8.4% for the month, taking its 12-month return to +23.4%. The broader S&P/ASX 300 Accumulation Index returned +3.2% for the period whilst, globally, the MSCI World Index also strengthened, returning +2.0% for the month.

Almost all sectors performed well, with Materials, Consumer Discretionary and Financials being the top contributors and Health Care the only sector to fall.

Materials (+15.1%) was the largest sector contributor, with Ramelius Resources (RMS, +25.8%), Vault Minerals (VTM, +46.6%) and Genesis Minerals (GMD, +22.2%) rising strongly on the back of gold sector strength.

Within Consumer Discretionary (+11.8%), Eagers Automotive (APE, +40.9%), Harvey Norman (HVN, +18.8%) and Lovisa (LOV, +26.4%) rose as consumer spending started to strengthen.

Financials (+6.3%) was the third largest contributor during the month, with Zip Co (ZIP, +31.9%) rising steeply while Netwealth Group (NWL, -8.2%) fell.

The majority of stocks within Information Technology rose, including Codan (CDA, +47.4%), SiteMinder (SDR, +32.6%) and Data#3 (DTL, +22.1%).

Within Real Estate (+5.7%), Centuria Capital (CNI, +33.7%), Charter Hall Long WALE REIT (CLW, +10.1%) and Ingenia Communities (INA, +13.0%) rose as the sector benefitted from commentary around further rate cuts during the year.

Within Health Care (-4.7%), Neuren Pharmaceuticals (NEU, +9.9%) contributed while EBOS Group (EBO, -21.3%), Clarity Pharmaceuticals (CU6, -31.8%) and Mesoblast (MSB, -8.4%) some of the larger stocks that retreated.

Portfolio review

Key Contributors

Centuria Capital (CNI, overweight) – the \$20bn+ property fund manager outperformed during the period, following a solid FY25 result and strong FY26 outlook guiding to a better-than-expected 10% operating earnings growth. With property fundamentals generally improving, asset valuations likely past trough levels and borrowing costs expected to fall, the Centuria business is well positioned to benefit. In this environment, we'd expect to see an improving property

transaction environment, better fund inflows, driving higher AUM and better EPS growth. We believe the next phase for the company will be recovery in retail investment inflows, which remains the bulk of CNI's business.

Kelsian Group (KLS, overweight) – the diversified transport operator outperformed following its strong FY25 result, driven by a 9.5% rise in revenue and a 7.4% increase in underlying EBITDA. The share price was further supported by robust operating cash flow, an attractive dividend, and progress on the strategic sale of its tourism portfolio—positioning the business as a more stable, infrastructure-focused transport operator. We remain positive on Kelsian as we believe the Australian bus business will continue to generate earnings growth, given the defensive nature of existing contracts with cost pass through, additional charter work, and improved staff availability. The US bus business has a strong demand outlook from new and existing customers with pricing increases to offset cost inflation and the opportunity to redeploy capital from lower returning Marine and Tourism assets to industry consolidation opportunities.

Eagers Automotive (APE, overweight) – the automotive retail group outperformed following the release of its 1H25 result. The company saw strong momentum across new and used car deliveries and continued to take market share, achieving its full year turnover guidance in just six months and beating consensus expectations. Lead indicators were also positive in an environment where the automotive sector appears to have reached an inflection point, with industry margins bottoming in 1H25. APE operates a diversified portfolio of brands that we expect will continue to outperform, with clear value drivers including the scale/quality of the network, breadth of OEM brand partnerships and its unique assets (BYD JV/EasyAuto).

Key Detractors

EBOS (EBO, overweight) – the healthcare and pharmaceutical distributor underperformed after its new CEO delivered weaker-than-expected FY25 results, pressured by softer healthcare distribution margins and restructuring costs. The share price was further impacted by a material uplift in depreciation costs following an extensive capital reinvestment program, with net profit guidance coming in below expectations. We have retained our modest position in the company, as we believe the company offers attractive, compounding structural growth in their key healthcare and animal health categories, along with the ability to redeploy free cash flow into adjacent acquisitions.

Pinnacle Investment Management (PNI, overweight) – the global fund manager underperformed modestly during the period despite delivering a strong FY25 result above expectations, supported by strong inflows in the second half which underpin upgrades to FY26 earnings expectations. We are seeing an acceleration in revenue growth, with material longer term growth potential as market conditions normalise from depressed levels, inflows reaccelerate across the diverse range of products and from international distribution and new products and businesses mature.

Netwealth Group (NWL, overweight) – the leading independent wealth management platform underperformed following the

release of its FY25, despite demonstrating strong flow momentum to start FY26. NWL's FY26 earnings guidance was modestly disappointing relative to expectations due to higher than anticipated cost growth causing the stock to retrace. We continue to expect to see gradual margin expansion from NWL over time as its long-term structural growth opportunity plays out.

Market Outlook

The month of August brought with it a remarkable earnings seasons in Australia with an array of large cap earnings misses and stock price volatility. In particular, the healthcare sector declined -13.3% in the month, marking its worst monthly return in over a quarter of a century. Nevertheless, strong returns for Resources (+10.6%), Consumer Discretionary (+7.4%) and Banks (+4.0%) were sufficient for the S&P/ASX 200 Index to deliver a very respectable +3.1% gain in August. Domestic small caps were the standout performer during the month, returning +8.4%, which was sufficient to take small cap annual returns to +23.4%. This compares to a +14.7% return for the S&P/ASX 200 Index.

While individual stock developments drove much of the volatility, robust Chinese economic data and China's efforts to improve Chinese firm viability – by addressing excess internal competition – has helped the resource sector sentiment, while expectations for a deeper rate cutting cycle in Australia helped consumer, bank and small cap stocks.

Fixed income posted relatively subdued returns during the month. Australian fixed income rose +0.3% in the month, whilst global bonds rallied +1.5% in August, offsetting the 1.5% decline for global bonds recorded in July.

The main economic event in Australia was the RBA easing interest rates in August, after surprising financial markets by remaining on hold in the month of July. The RBA chose to wait until the quarterly inflation data printed before making the decision to ease and continues to signal a cautious approach to future policy decisions. However, we expect the RBA to ease in November 2025 and again in May, August and November of 2026, taking the cash rate to a terminal rate of 2.6% for this cycle.

This forecast is in part driven by our view that inflation will be contained over the next two years, the labour market will likely show more signs of spare capacity and the likelihood that the RBA will formally downgrade its neutral interest rate assumption by 50 bps through this easing cycle. This would be 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 Australian dollar could continue to provide powerful amplifying effect for smaller companies.

US economic growth data will likely continue to soften in coming months, and US inflation data is likely to post several months of sequentially stronger numbers, potentially providing the ingredients for a correction in risk markets in the Sept-Oct period.

Nevertheless, Australia appears relatively well placed to benefit from an economic and financial market perspective. Australia is emerging from a much lower starting point in the economic cycle, has low direct exposure to the US tariff shock and Australia's policy easing has a more immediate impact upon demand relative to its peers. Tactically, while bonds may outperform equities in coming weeks, we remain constructive on the medium-term prospects for Australia's economic and financial market outlook.

We are most overweight stocks in the Financials, Industrials and Information Technology sectors, and are underweight Materials, Consumer Discretionary and Energy.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	2.61	5.92	-3.31
Consumer Discretionary	10.18	15.13	-4.96
Consumer Staples	1.32	2.36	-1.04
Energy	2.43	6.13	-3.70
Financials	18.08	13.29	4.78
Health Care	6.98	4.87	2.11
Industrials	13.88	9.73	4.15
Information Technology	8.80	6.51	2.30
Materials	19.50	24.66	-5.16
Real Estate	11.35	11.41	-0.06

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Gold Road Resources	4.31	1.19	3.13
Centuria Capital	4.03	0.67	3.36
Eagers Automotive	4.01	1.54	2.47

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
Centuria Capital	4.03	0.67	3.36
Kelsian Group	3.56	0.36	3.20
Gold Road Resources	4.31	1.19	3.13
Underweights			
Ramelius Resources	0.00	1.86	-1.86
Zip Co	0.00	1.81	-1.81
Ventia	0.00	1.49	-1.49

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.

Features

Investment objective	To achieve medium-to-long term capital growth by investing in a diversified portfolio of smaller Australian companies. In doing so, the aim is to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling 3-year periods.
Recommended investment time frame	5 - 7 + years
Fund inception	August 2020
Fund size	A\$104.7 mn as at 31 August 2025
ARSN code	642 665 263
Estimated management cost	0.85% p.a.
Buy/sell spread	+/- 0.30%

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