

# Yarra Growth Fund

## Net returns as at 30 September 2025

|                                | 1 month<br>% | 3 months<br>% | 6 months<br>% | 1 year<br>% | 3 years<br>% p.a. | 5 years<br>% p.a. | 10 years<br>% p.a. | Since<br>inception<br>% p.a. |
|--------------------------------|--------------|---------------|---------------|-------------|-------------------|-------------------|--------------------|------------------------------|
| Total Fund return (net)        | -0.24        | 2.97          | 9.91          | 14.70       | 14.23             | 11.03             | 8.30               | 7.30                         |
| Fund growth return (net)       | -0.24        | 2.97          | -0.62         | 3.29        | 9.30              | 6.67              | 2.63               | 1.90                         |
| Fund distribution return (net) | 0.00         | 0.00          | 10.53         | 11.41       | 4.93              | 4.36              | 5.67               | 5.40                         |
| Benchmark*                     | 0.97         | 4.75          | 11.64         | 15.63       | 16.51             | 12.23             | 10.01              | 8.57                         |

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 2.97% for the quarter, underperforming its composite benchmark return of 4.75% by 178 basis points.

### Australian Equities

The S&P/ASX 200 Accumulation Index rose 4.70% in the September quarter. The Fund's Australian Equities allocation outperformed over the quarter, supported by strong relative performance across its three underlying strategies. Both the Yarra Australian Equities Fund (+5.68%) and the Yarra Ex-20 Australian Equities Fund (+7.98%) delivered solid returns, while the Tyndall Australian Small Companies Fund posted an exceptional gain of +22.17% for the quarter.

At the sector level, returns were positive across most areas, led by strong gains in Materials (+20.5%). Utilities (+11.4%) and Consumer Discretionary (+10.0%). While Real Estate (+4.6%), Industrials (+2.9%), and Communication Services (+2.0%), Financials (+1.3%) and Information Technology (+1.0%) recorded more modest increases. In contrast, Energy (-1.5%), Consumer Staples (-1.5%), and Health Care (-9.3%) declined.

Key contributors to relative performance over the quarter included overweight positions in Tabcorp, the wagering operator, which delivered strong FY25 results that were well received by the market, and Iluka Resources, a mineral sands producer whose shares were well supported by the announcement of an offtake agreement between the U.S. Department of Defence and U.S. rare earths producer MP Materials. In addition, an underweight position in CSL contributed positively, as its shares declined in response to the announcement of a significant corporate restructure and a weaker-than-expected earnings outlook.

Detractors from relative performance included Bapcor, the automotive aftermarket supplier, whose shares came under

pressure after releasing its FY25 results and a trading update that indicated softening earnings momentum. Xero, the cloud-based accounting software provider, also underperformed modestly during the period, despite limited company-specific news. An underweight position in National Australia Bank detracted from performance, as its shares rose following a positive third-quarter trading update. The manager maintains the view that the elevated valuations of Australian banks remain unsupported by the sector's subdued growth and return outlook.

### Global Equities

The MSCI AC World Index, measured in AUD (unhedged), recorded a gain of 6.42% over the quarter. The Fund's Global Equities allocation underperformed over the quarter, primarily due to the soft performance of its core holding, the Yarra Global Share Fund (+0.44%). In contrast, the smaller allocation to the Yarra Global Small Companies Fund (+8.79%) delivered strong relative performance.

Global growth has slowed over the past year, weighed down by geopolitical uncertainty and tighter consumer finances. Markets have been led by AI-driven optimism, with Technology, Communication Services, Industrials, and Utilities among the top-performing sectors.

The Yarra Global Share Fund has been shifting the portfolio toward high-quality, predictable growth businesses. This strategy worked well until July but underperformed recently as markets rotated into U.S. high-growth names and value stocks elsewhere. The manager views this rotation as short-term and not reflective of a fundamental shift.

The U.S. Federal Reserve's policy stance has accelerated investor preference for cyclicals over defensives, despite elevated valuations. The Funds AI-related holdings (Amphenol,

Broadcom, NVIDIA, Oracle) continued to add value but couldn't fully offset broader losses.

Underweight allocations to mega-cap stocks Apple, Alphabet, and Tesla alone contributed over 1.6% of underperformance. While stock-specific issues also hurt performance—such as HDFC Bank (India tariffs), weakness in U.S. insurers, and poor updates from Elevance Health and Kerry Group (since exited).

Sector-wise, IT and Communication Services outperformed; defensives lagged. Emerging markets gained on falling U.S. rate expectations, while Europe and the UK were the weakest regions.

In summary, performance has been disappointing, but the drivers appear short-term. The manager remains confident in the Funds long-term, quality-focused approach and have made no changes to their philosophy or process.

## Australian Fixed Interest

The Bloomberg AusBond Composite 0+Yr Index was up 0.40% over the September quarter. The Fund's Australian fixed interest allocation, primarily invested in the Yarra Australian Bond Fund (+0.64%) outperformed, with the smaller allocation to the Yarra Enhanced Income Fund (+2.13%) also contributing positively to performance.

Bond markets experienced heightened volatility throughout the quarter, influenced by fluctuating inflation expectations, economic data releases, and evolving policy decisions amid ongoing global uncertainty. Key drivers of performance included active duration management, yield curve positioning, and sector allocation.

The Reserve Bank of Australia (RBA) remained cautious, delivering one 25bps rate cut across three meetings. The manager expects this measured approach to continue, with potential for further cuts over the next 12 months if inflation trends toward the 2–3% target range.

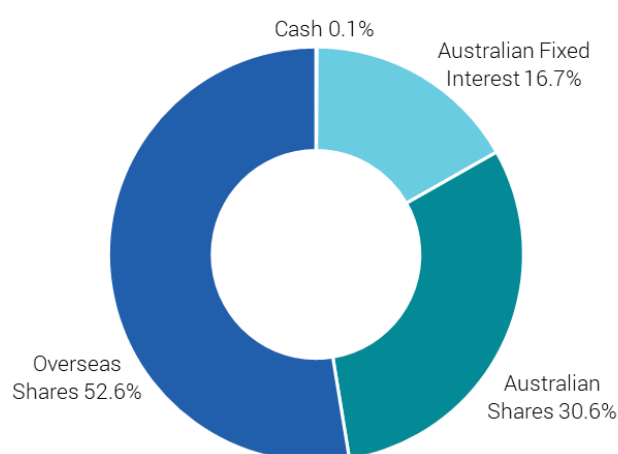
Government bond yields rose over the quarter, impacted by global factors such as US trade policies, economic data, and central bank actions. The 3-year and 10-year bond yields increased from 3.42% to 3.55% and 4.26% to 4.30%, respectively, leading to a flatter yield curve. The Fund's overweight duration position detracted from performance, particularly in the 3–10 year segment, while its long-end overweight in the 10–15 year range contributed positively.

Sector positioning added value, with an overweight to credit spreads—particularly senior financials, RMBS, and high-grade corporates—boosting returns. Semi-government spreads widened early in the quarter but later recovered, with offshore demand supporting long-end performance.

## Strategic Asset Allocation

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

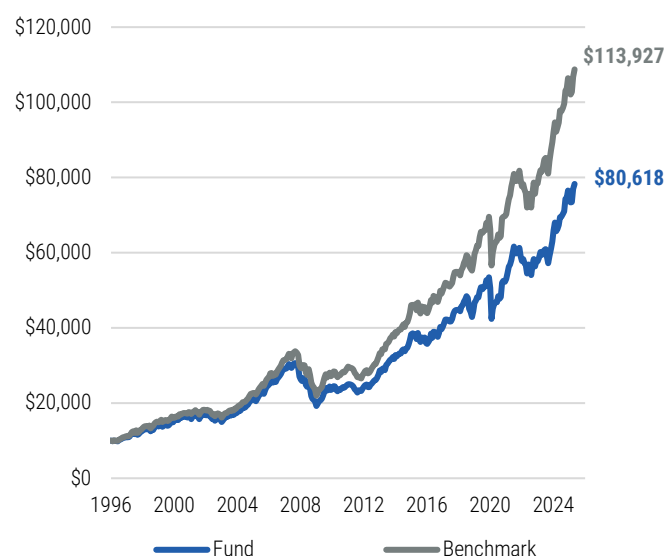
## Asset Allocation at Quarter End



Source: YFM, Citi

## Performance Graph

After fees, since inception of the Yarra Enhanced Income Fund, February 1996 to September 2025:



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

## Market Outlook

September 2025 stood out as mega-cap technology and growth stocks powered global equity gains, while a sharp +11.9% jump in gold prices boosted returns across ASX small-caps and the resources sector.

The ASX 200 Index declined 0.8% in the month of September compared to a +3.4% return for ASX Small Caps Index, extending the outperformance of Small Caps relative to Large Caps to an extraordinary +10.6% for the September quarter. Global equities returned a strong +3.2% in the month of September in US\$ terms and +2.1% in Australian dollar terms, with the A\$/US\$ rising 1.1% in the month. We continue to expect the combination of a rising A\$, easier financial conditions and rising domestic economic growth momentum to support Small and Micro Caps out performance through the remainder of 2026.

Global bonds returned +0.7% in the month September, eclipsing the +0.1% return from Australian fixed interest, as weakening US employment data helped build expectations of a deeper interest rate cutting cycle in the US. Although the US shutdown may delay the formal publication of key US labour market data, we continue to stress that the US labour market will likely continue to weaken and, should the current slow pace of hiring transition to rising layoffs in coming weeks, then US recession fears could easily rebuild as a market thematic and prompt a reassessment of risk assets.

The main economic event in Australia during September took place at the end of the month. The Reserve Bank of Australia (RBA) effectively removed its near-term easing bias amid concerns that September quarter inflation may exceed its forecasts and due to signs that financial markets were, in effect, easing conditions for the RBA, via strong asset price returns, lower yields and tighter bond spreads.

Indeed, our Financial Conditions Index has now moved to a neutral setting which is consistent with achieving a trend like pace of economic growth over the next 12-18 months. As such we have removed our forecast for a November interest rate cut, with the case for near-term interest rate easing resting on a material rise in the unemployment rate or a surprisingly low print in the September quarter CPI. We still see the RBA easing rates through 2026 on the basis that inflation remains on check, unemployment drifts higher and productivity recovers. However, for now, the RBA appears to have shifted to a mode where they want to monitor the recovery in private demand rather than stimulate it further.

Although October can be a volatile month for risk assets and valuations are stretched, Australia looks 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, bonds may outperform equities in coming weeks, however, we remain constructive on the medium-term prospects of Australia's economic and financial market outlook.

We are most overweight stocks within the Communication Services, Materials and Utilities sectors, and are underweight Financials, Consumer Discretionary and Real Estate.

## 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                                                   |                                              |
|-------------------------------------------------------------|----------------------------------------------|
| <b>Responsible Entity</b><br>Yarra Funds Management Limited | <b>Management Cost</b><br>1.15% p.a.         |
| <b>APIR Code</b><br>SUN0021AU                               | <b>Buy/Sell Spread</b><br>0.15%/0.15%        |
| <b>Fund Size</b><br>A\$80.6mn as at 30 September 2025       | <b>Distribution Frequency</b><br>Half Yearly |
| <b>Minimum Investment</b><br>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](mailto:IST@yarracm.com)

**Website** [www.yarracm.com](http://www.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/](http://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 the Fund 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 Fund, including the relevant PDS, 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 Fund is 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.