Investment Commentary
Quarter to 31 December 2025

Yarra Emerging Leaders Fund

Gross returns as at 31 December 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Emerging Leaders Fund	-1.62	0.26	18.36	13.41	9.43	8.92	11.16
Emerging Leaders Combined Benchmark†	0.09	0.89	21.66	13.15	8.53	10.29	7.64
Excess return (before fees)‡	-1.71	-0.63	-3.30	0.27	0.90	-1.37	3.52

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 management costs, meaning they do not reflect the deduction of any investment management fees and expenses 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 December 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Emerging Leaders Fund	-1.72	-0.05	16.90	12.01	8.08	7.58	9.85
Emerging Leaders Combined Benchmark†	0.09	0.89	21.66	13.15	8.53	10.29	7.64
Excess return (after fees)‡	-1.81	-0.94	-4.76	-1.13	-0.45	-2.72	2.21

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* Inception date Yarra Emerging Leaders Fund: September 1997

† Comprising 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries Accumulation Index

‡ Excess return: The difference between the Fund's return and the benchmark return.

Market review

The Australian mid and small-cap equities market posted a modest gain during the fourth quarter of 2025.

The Emerging Leaders Benchmark returned +0.9% for the quarter, taking its 12-month return to +21.7%. The broader S&P/ASX 300 Accumulation Index returned -0.9%, whilst globally, the MSCI World Index delivered +3.4% for the quarter.

Materials (+17.2%) was by far the largest contributor to index performance led by PLS Group (PLS, +67.5%), Mineral Resources (MIN, +32.2%) and IGO (IGO, +58.3%). Sandfire Resources (SFR, +25.6%) also performed strongly, while Lynas Rare Earths (LYC, -27.5%) detracted.

Industrials (+3.6%) also rose during the quarter. Qube Holdings (QUB, +16.1%) and Aurizon (AZJ, +14.4%) posted solid gains. ALS (ALQ, +11.6%) also supported returns, while DroneShield (DRO, -33.9%) weighed on performance.

Energy (+5.1%) delivered a modest gain, aided by Whitehaven Coal (WHC, +17.6%) and Paladin Energy (PDN, +15.3%), while Ampol (ALD, +6.8%) also contributed. Boss Energy (BOE, -28.9%) was a notable laggard.

Information Technology (-20.2%) was the weakest sector during the quarter. Losses were widespread, led by Life360 (360, -37.0%) and NextDC (NXT, -25.9%). Weebit Nano (WBT, +59.1%) provided some offset.

Consumer Discretionary (-10.3%) detracted as rate increase concerns seemed to dampen sentiment. JB Hi-Fi (JBH, -17.1%) and Premier Investments (PMV, -25.9%) declined, while Lovisa (LOV, -21.6%) also weakened. Flight Centre (FLT, +29.7%) and Domino's (DMP, +55.8%) delivered strong gains.

Financials (-6.8%) detracted as Bendigo & Adelaide Bank (BEN, -19.5%) and HUB24 (HUB, -4.5%) fell, while AMP (AMP, +9.6%) and Challenger (CGF, +8.7%) provided some offset. Insurance names such as Steadfast (SDF, -11.0%) also weighed on performance.

Portfolio review

Key Contributors

Sandfire Resources (SFR, overweight) – the pure play copper producer outperformed as copper prices increased by 17% during the quarter. We continue to favour SFR as the best exposure to copper on the ASX, a commodity we like given declining and increasingly expensive supply and its demand leverage to electrification as a key material in batteries and electric motors.

Bellevue Gold (BGL, overweight) – the gold producer outperformed during the period supported by an increase in the gold price (+14%) during the quarter. While the company's long-term performance still depends on consistent production, cost control, and execution of its growth plans, the combination of improved earnings outlook and favourable market conditions underpins a positive medium term view on the stock.

Life360 (360, underweight) – the technology company underperformed during the period following its third-quarter results, which pointed to a slower revenue trajectory into year-end as the company adjusts its membership structure. Given this softer near-term outlook and the availability of more compelling opportunities within the technology sector, we consider other technology companies to offer more attractive positioning at present.

Key Detractors

NextDC (NXT, overweight) – the leading Australian data centre owner and developer underperformed during the period following a selloff in global peers around fears of a bubble in the AI value chain. We believe NXT is well protected from these concerns, with high earnings certainty for the next 3 years having increased contracted utilisation by +68% in the last six months alone, its strategic locations, co-location model and strong balance sheet. With the stock trading on less than 15-times contracted EBITDA, we view this as a highly attractive entry point.

PLS Group (PLS, underweight) – the lithium miner outperformed during the month as lithium prices rallied. The Platts benchmark spodumene price rose 91% across the quarter to close at US$1,564/t on increased optimism in the battery metals sector. We remain underweight the lithium sector as we view the market as well supplied for the remainder of the decade.

CAR Group (CAR, overweight) – the online vehicle classifieds company underperformed on no material company news. We remain attracted to the company as it has strong growth potential over the long term across Australia (41% revenue), Trader Interactive in the US (25% revenue) and Webmotors in Brazil (17% revenue). CAR is seeing group margins sustained despite re-investing in the business to drive future revenue growth.

Market outlook

December 2025 closed out a year marked by uneven economic data, persistent geopolitical tension and policy shifts. On balance financial markets managed to navigate rising concerns over US debt escalation and US policy uncertainty to finish 2025 positioning for further gains in risk assets in 2026.

In the United States, the month began with the resolution of the federal government shutdown, allowing delayed economic data to be released. The labour market sent mixed signals: nonfarm payrolls unexpectedly fell by 105,000 in November while unemployment rose to 4.6%. Yet wage growth remained firm at 0.4%, and continuing jobless claims stayed low, suggesting underlying resilience despite headline weakness. Inflation readings appeared softer, though analysts questioned the reliability of the data due to gaps created during the shutdown. The Federal Reserve (Fed) delivered its third consecutive rate cut, aiming to support a cooling labour market and stabilise growth heading into the new year.

Globally, inflation remained sticky across major economies, reinforcing expectations that central banks would maintain a "higher for longer" stance even as growth moderated.

In Australia, elevated annual inflation and increasingly hawkish comments from the Reserve Bank of Australia (RBA) following the December meeting have led interest rate markets and many economists to position for multiple interest rate hikes in 2026. While we acknowledge the risks of rate hikes, much of the elevated inflation reflects base effects, subsidy and tax impacts. We believe that the disinflation trend will reassert itself in coming months and the RBA is more likely to ease than hike rates into mid-2026.

Equity markets ended the year on a constructive note. The S&P 500 Index posted a strong 16.39% gain for 2025, achieving 38 record highs, though December's performance was more measured as investors digested the Fed's policy shift. Global equities advanced modestly, with broader participation beyond U.S. mega-caps. International markets outperformed on a relative basis, supported by value-oriented sectors and improving sentiment outside the U.S. Australia proved to be a relative underperformer with the ASX 200 Index returning 10.3% in 2025. Despite a 1.3% m/m gain in December the ASX 200 Index finished the year 3.7% below its October peak.

Fixed income markets were more subdued. Long-dated government bond yields rose, generating modestly negative returns for sovereign debt. Corporate credit fared slightly better, with spreads tightening and total returns remaining positive globally whilst delivering a small negative return in Australia. Divergent expectations about the Fed's 2026 rate path kept volatility elevated across the curve and the RBA shift to a more hawkish tone contributed to Australia's fixed income underperformance in December.

Commodities delivered mixed results. Oil prices fell for the fifth consecutive month, with West Texas Intermediate (WTI) ending the year nearly 20% lower amid softening demand and ample supply. Gold benefited from safe-haven flows driven by geopolitical risk and currency volatility, including disruptions tied to the unwinding of the yen carry trade.

We expect a somewhat bumpy but positive ride for equities in 2026. Our forecasts are for total return of +9% for the US, +12% for Emerging Markets, and +10% for Australia. Within interest rate markets, we expect yield curve steepening to be back in vogue in 1H26 in anticipation of a dovish Fed and stubbornly high government debt in the US. Further, we expect that US dollar weakness will once again emerge as a dominant theme in 2026, driving the AUD/USD exchange rate well above 70 cents during the year.

We are most overweight stocks within Health Care, Financials and Communication Services and, are underweight Energy, Industrials and Consumer Discretionary.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	6.01	3.83	2.17
Consumer Discretionary	6.15	9.99	-3.83
Consumer Staples	2.90	4.42	-1.53
Energy	0.00	5.18	-5.18
Financials	16.02	11.90	4.12
Health Care	11.76	5.36	6.40
Industrials	10.79	14.82	-4.04
Information Technology	5.65	5.19	0.46
Materials	29.24	27.17	2.07
Real Estate	10.00	11.32	-1.33
Utilities	0.00	0.81	-0.81

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Sandfire Resources	5.65	1.19	4.46
Evolution Mining	4.68	0.00	4.68
Ansell Inc.	4.09	0.73	3.36

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
Evolution Mining	4.68	0.00	4.68
Sandfire Resources	5.65	1.19	4.46
Ansell Inc.	4.09	0.73	3.36
Underweights			
PLS Group	0.00	1.87	-1.87
Light & Wonder	0.00	1.83	-1.83
ALS	0.00	1.62	-1.62

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	12.38	7.84	2.45	3.85
Distribution return	4.52	4.17	5.63	3.73

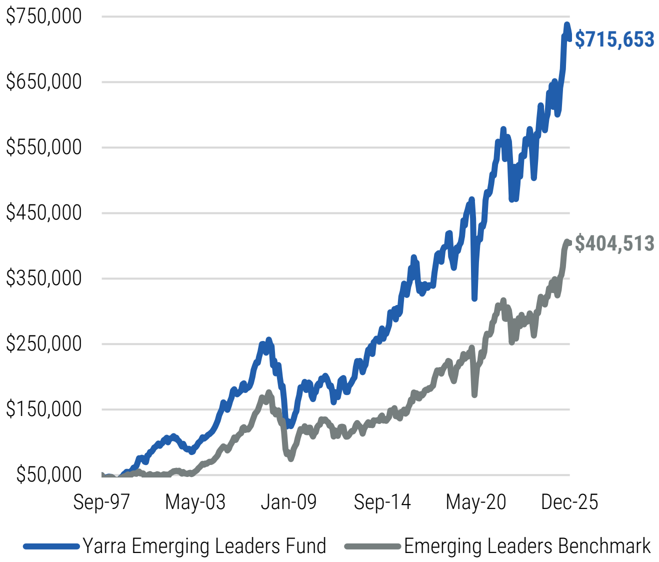
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders by way of income distribution in a 12-month period. It does not include capital distributions.

Features

Investment objective	To achieve medium-to-long term capital growth through exposure to small and medium sized Australian companies that are considered to possess strong capital growth potential. In doing so, the aim is to outperform the benchmark over rolling 3-year periods.	
Recommended investment time frame	5 - 7 + years	
Fund inception	September 1997	
Fund size	A$109.7 mn as at 31 December 2025	
APIR codes	JBW0010AU	
Estimated management cost	1.25% p.a.	
Buy/sell spread	+/- 0.20%	
Platform availability	Asgard Ausmaq BT Panorama BT SuperWrap Financial Index	Hub24 Macquarie Wrap Mason Stevens MLC Wrap OneVue

Investment performance comparison of $50,000

After fees, since inception of the Yarra Emerging Leaders Fund, September 1997 to December 2025.



For illustrative purposes only. Past performance does not guarantee future results, which may vary. The total net fund returns shown are prepared on an exit to exit basis (i.e. they include all ongoing fees and expenses and assume reinvestment of all distributions). They do not take personal taxation into account. The comparison with the benchmark (comprising 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries Accumulation Index) is for comparative purposes only. Index returns do not allow for transactional, management, operational or tax costs. An index is not managed and investors cannot invest directly in an index.

Applications and contacts

Investment into the Yarra Emerging Leaders Fund can be made by Australian resident investors only.

Website www.yarracm.com

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