YARRA CAPITAL MANAGEMENT

Investment Commentary
Quarter to 31 December 2025

Yarra Ex-20 Australian Equities Fund

Gross returns as at 31 December 2025

	From 25 June 2018^	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.*
Yarra Ex-20 Australian Equities Fund	7.21	-1.98	-3.36	10.84	12.27	9.95	7.96	8.24
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	7.80	-0.74	-1.32	14.96	12.14	8.67	N/A	N/A
Excess return (before fees)‡	-0.59	-1.24	-2.04	-4.12	0.13	1.28	N/A	N/A

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 December 2025

	From 25 June 2018^	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.*
Yarra Ex-20 Australian Equities Fund	6.24	-2.05	-3.58	9.85	11.27	8.97	6.88	7.05
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	7.80	-0.74	-1.32	14.96	12.14	8.67	N/A	N/A
Excess return (after fees)‡	-1.56	-1.31	-2.26	-5.11	-0.87	0.30	N/A	N/A

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.

^ **Effective 25 June 2018 the Fund's investment strategy, name and benchmark was changed. Performance prior to 25 July 2018 is provided here for consistency purposes only – the historical performance data shown relates to the previous strategy and should not be used to assess past or future performance of the Fund. Performance data relating to the previous strategy is available upon request. 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 Ex-20 Australian Equities Fund: August 2010.

The benchmark for the Yarra Ex-20 Australian Equities Fund has been amended since the Fund's inception. Effective 25 July 2018, the benchmark is the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index, replacing the S&P/ASX 300 Accumulation Index.

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

Market review

The Australian Ex-20 equities market declined during the fourth quarter of 2025, as markets moved to factor in possible interest rate increases in 2026. Commentary from the Reserve Bank of Australia (RBA) following the October CPI print noted that it was considering whether interest rates would need to rise in 2026 following an inflation uptick.

The S&P/ASX 300 Ex-20 Accumulation Index returned -1.3% for the quarter, taking its 12-month return to +15.0. The broader S&P/ASX 300 Accumulation Index returned -0.9%, whilst globally, the MSCI World Index delivered +3.4% for the quarter.

Materials (+16.0%) was the strongest sector contributor during the quarter. Mining stocks drove gains, supported by PLS Group (PLS, +67.5%), IGO (IGO, +58.3%) and Mineral Resources (MIN, +32.2%). South32 (S32, +29.9%) also contributed positively, while Lynas Rare Earths (LYC, -26.0%) detracted.

Energy (+5.2%) contributed modestly, supported by Whitehaven Coal (WHC, +17.6%) and Viva Energy (VEA, +12.9%), while Ampol (ALD, +6.8%) also added to gains. Boss Energy (BOE, -28.9%) was a notable laggard.

Information Technology (-23.7%) was the weakest sector during the quarter weighed on by soft trading updates in the case of Xero (XRO, -27.6%), Life360 (360, -37.0%) and TechnologyOne (TNE, -26.6%) as well as general caution to AI levered names such as NextDC (NXT, -25.9%). Weebit Nano (WBT, +59.1%) provided some offset.

Financials (-6.8%) detracted during the quarter. Bendigo & Adelaide Bank (BEN, -19.5%) and Bank of Queensland (BOQ, -7.3%) fell sharply. ASX (ASX, -12.2%) weakened in capital markets, though HMC Capital (HMC, +24.5%) provided some offset. Insurance names such as Suncorp (SUN, -12.9%) and Steadfast (SDF, -11.0%) also weighed on performance.

Consumer Discretionary (-10.5%) detracted as rate increase concerns dampened sentiment. JB Hi Fi (JBH, -17.1%) and Eagers Automotive (APE, -14.1%) declined, while The Lottery

Corporation (TLC, -12.2%) also weakened. Flight Centre (FLT, +29.7%) and Domino's (DMP, +55.8%) delivered strong gains.

Health Care (-6.8%) fell with Pro Medicus (PME, -- 28.4%) and Telix Pharmaceuticals (TLX, - 23.1%) as some of the significant detractors, while Ramsay Health Care (RHC, +8.3%) and Sonic Healthcare (SHL, +5.5%) offered some support.

Portfolio review

Key Contributors

Northern Star Resources (NST, overweight) – the gold producer outperformed during the period as gold prices rose 14.2% during the quarter. We remain attracted to the company's asset quality, cost control, and organic growth pipeline that will grow medium-term production from ~1.5Mozpa to ~2Mozpa.

Sims (SGM, overweight) – the scrap steel producer outperformed during the period, aided by a solid FY25 earnings report and a 7.6% increase in Turkish scrap steel prices. We believe the company's majority US exposure is well placed to benefit from steel tariffs, a benefit that should more than offset headwinds elsewhere in the portfolio. The company's strategy to focus on margin over volumes is delivering solid results. Longer term we see upside for scrap demand given its use in lower emissions Electric Arc Furnace steel making operations.

Domino's Pizza (DMP, overweight) – the pizza restaurant chain outperformed during the period, underpinned by a favourable AGM trading update that emphasised cost optimisation initiatives, steps to improve franchisee profitability and leadership changes. The share price was also supported by media reports of a private equity takeover, although the company has to date indicated it has not received a proposal.

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.

Xero (XRO, overweight) – the cloud-based accounting software company was an underperformer during the period as the market digested its noisy 2H25 result with the introduction of the loss-making Melio and associated one off costs. Whilst revenues were in line with expectations, earnings and earnings outlook was below, largely due to Melio, which has further heightened the market's nerves with this acquisition. We feel that concerns around Melio are overplayed given its low materiality to the overall business and the strong long term growth profile, regardless of the speed of success in the US.

Treasury Wine Estates (TWE, overweight) – the winemaking company underperformed after reporting excess channel inventory in the US and China, prompting TWE to withdraw FY26 guidance. Depletion volumes have been impacted by weak demand for its flagship Penfolds label in China, while distribution disruptions in the U.S have also been greater than expected. We believe the market is capitalising temporary inventory issues into the long-term outlook, resulting in the stock trading at a significant valuation disconnect relative to its 10-year average (16.5-times FY26 P/E vs 22.9-times 10-year average).

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 the Communication Services, Utilities and Health Care sectors and underweight Industrials, Real Estate and Energy.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	13.03	3.99	9.04
Consumer Discretionary	4.45	6.84	-2.39
Consumer Staples	2.30	2.63	-0.33
Energy	0.00	3.02	-3.02
Financials	11.75	13.60	-1.85
Health Care	11.45	10.05	1.40
Industrials	1.53	11.78	-10.25
Information Technology	8.05	6.72	1.33
Materials	27.70	27.32	0.37
Real Estate	7.33	10.75	-3.42
Utilities	7.83	3.29	4.54

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Northern Star	8.07	3.38	4.68
ResMed	5.07	1.81	3.26
Origin Energy	4.76	1.75	3.01

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
Northern Star	8.07	3.38	4.68
NEXTDC	4.20	0.71	3.49
TPG Telecom	3.49	0.14	3.35
Underweights			
Scentre Group	0.00	1.94	-1.94
Suncorp Group	0.00	1.69	-1.69
Computershare	0.00	1.64	-1.64

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	6.86	9.25	6.74	4.42
Distribution return	2.98	2.02	2.23	2.46

The Growth Return is measured by the movement in the Fund's unit price, 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 Australian Securities Exchange listed securities excluding the largest 20 by market capitalisation (as defined by the S&P/ASX 20 Index). In doing so, the aim is to outperform the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index over rolling 3-year periods.
Recommended investment time frame	5 - 7 + years
Fund inception	August 2010
Fund size	A$123.6 mn as at 31 December 2025
APIR code	JBW0052AU
Estimated management cost	0.90% p.a
Buy/sell spread	+/- 0.15%
Platform availability	BT Panorama Hub24 Praemium

Applications and contacts

Investment into the Yarra Ex-20 Australian Equities Fund can be made by Australian resident investors only.

Website www.yarracm.com

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