

# Yarra Australian Equities Fund

## Gross returns as at 31 January 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Australian Equities Fund	1.83	-1.31	7.23	9.25	10.71	9.19	10.45
S&P/ASX 200 Accumulation Index†	1.78	0.36	7.37	9.80	10.21	10.11	9.36
Excess return (before fees)‡	0.06	-1.66	-0.14	-0.55	0.50	-0.92	1.09

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 January 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Australian Equities Fund	1.76	-1.51	6.38	8.33	9.75	8.21	9.46
S&P/ASX 200 Accumulation Index†	1.78	0.36	7.37	9.80	10.21	10.11	9.36
Excess return (after fees)‡	-0.01	-1.86	-0.99	-1.48	-0.45	-1.90	0.10

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\* Inception date Yarra Australian Equities Fund: July 1996

† The benchmark for the Yarra Australian Equities Fund has been amended since the Fund's inception. Effective 28 February 2008 the benchmark is the S&P/ASX 200 Accumulation Index, replacing the S&P/ASX 200 ex Property Accumulation Index Monthly. Further information on changes to the Fund's benchmark is available upon request.

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

### Market review

The Australian equities market rose during the month of January.

The S&P/ASX 200 Accumulation Index returned +1.8% for the month, taking its 12-month return to +7.4%. The broader S&P/ASX 300 Accumulation Index returned +1.7%, whilst globally, the MSCI World Index delivered +1.4% for the month.

Materials (+9.5%) led the market higher, supported by commodity price increases and strong gains across large-cap miners. BHP Group (BHP, +11.2%), South32 (S32, +29.8%), BlueScope Steel (BSL, +29.7%) and were among the strongest performers, supported by Evolution Mining (EVN, +16.0%). These gains were partly offset by weakness in Fortescue (FMG, -4.6%) and Ora Banda Mining (OBM, -16.3%).

Energy (+10.6%) delivered strong gains amid geopolitical tensions, led by uranium and coal names. Deep Yellow (DYL, +54.3%) and Paladin Energy (PDN, +44.3%) were standout performers, alongside strength in Santos (STO, +13.6%), Whitehaven Coal (WHC, +13.9%) and Woodside Energy (WDS, +7.5%). This was partly offset by weakness in Ampol (ALD, -9.7%) and Viva Energy (VEA, -12.2%).

Health Care (+2.2%) added positively to returns. Gains in CSL (CSL, +5.1%) and Ramsay Health Care (RHC, +5.8%) supported

the sector, alongside strength in ResMed (RMD, +4.5%). These were offset by a sharp decline in Pro Medicus (PME, -16.6%) which fell in line with other software names.

Consumer Staples (+1.6%) advanced modestly. Woolworths Group (WOW, +5.3%) and Treasury Wine Estates (TWE, +2.3%) supported the sector, while a2 Milk (A2M, -8.0%) detracted.

Information Technology (-9.4%) was the weakest sector on concerns around AI disruption. Declines in Xero (XRO, -17.8%), WiseTech Global (WTC, -15.3%) and Life360 (360, -18.2%) drove underperformance, partly offset by gains in Codan (CDA, +33.8%) and NextDC (NXT, +6.3%).

Financials (-1.4%) detracted from index performance. The Commonwealth Bank of Australia (CBA, -7.0%) was the largest drag, alongside weakness in AMP (AMP, -6.9%) and Zip Co (ZIP, -19.5%). These moves were partly offset by strength in Macquarie Group (MQG, +4.4%) and ASX (ASX, +11.4%).

Real Estate (-2.7%) weakened, with declines across most REITs including Charter Hall Group (CHC, -5.9%), Stockland (SGP, -5.9%) and Scentre Group (SCG, -2.9%).

## Portfolio review

### Key Contributors

**BlueScope Steel (BSL, overweight)** – the diversified steel manufacturer outperformed during the month following news the company received a \$30/share conditional non-binding bid from a consortium led by US company Steel Dynamics. While BSL rejected this bid, the company's shares continue to trade close to the bid price.

**BHP (BHP, overweight)** – our overweight position in the diversified miner was a source of outperformance during January. While iron ore prices fell 2% during January, the company's other major commodities all increased, with copper up 9% and hard coking coal rising 15%. We favour copper as a commodity and note that in excess of 45% of BHP's earnings (EBITDA) are now derived from copper.

**Commonwealth Bank (CBA, underweight)** – the Australian bank underperformed during the month on very little news flow, as the market factored in higher interest rate expectations. We maintain an underweight position in the banking sector due to elevated valuations that are not supported by the fundamental outlook. We believe that flat pre-provision profits and low bad debts are now reflected in consensus estimates, limiting any earnings upside relative to expectations.

### Key Detractors

**Xero (XRO, overweight)** – the cloud-based accounting software company was an underperformer during the period as the market became increasingly cautious on the risk of incumbent software-as-a-service (SaaS) companies being disrupted by AI powered start-ups. The selloff in software names has been largely indiscriminate at this point as uncertainty has increased and it is likely to take some time to resolve the market's concerns. We believe that scale platform businesses that are highly integrated into customer workflows and are investing heavily into AI powered product enhancements, such as XRO, are unlikely to be long term losers.

**Tabcorp (TAH, overweight)** – the wagering company underperformed despite no company-specific newsflow. The company last reported a strong FY25 result in August, although trading has since been overshadowed by adverse spring carnival outcomes, which have compressed gross win margins for the industry. Nonetheless, TAH's longer-term growth strategy will be the bigger driver of shareholder value, with stabilised market share, progress on its in-venue offer, tote unification, and a renewed international and media distribution strategy all evident in lead indicators.

**Block, Inc (XYZ, overweight)** – the payments technology company underperformed during the month, as technology stocks were generally pressured. XYZ has provided the market with FY26 and FY28 guidance, backed by a broad pipeline of product initiatives. XYZ trades on an appealing cash flow yield of 7.4% which we view as highly attractive for a company growing earnings above 30%.

## Market outlook

The month of January 2026 was notable for an escalation in geopolitical events, including the US capture of the Venezuelan President, the seizure of Venezuelan oil tankers by the US, threats to invade Greenland, protests inside the US over tactics used against illegal immigrants and the greatest political uprising in Iran since 1979.

Against this backdrop, it was remarkable that global equities rallied +2.2% in the month of January while Australian equities returned +1.8%. Part of this can be traced to the seasonal optimism in financial markets that often attends the start of the calendar year and evidence that both the US and Australia finished 2025 with good economic growth momentum.

Nevertheless, financial markets became increasingly nervous during the month after a series of announcements from Mega Cap Tech companies of larger-than-expected capital expenditure plans and rising fears that AI will disrupt the business models of many well-held growth companies in the SaaS sector.

In our 2026 outlook pieces we flagged that emerging market equities, commodities and small companies would likely do well in 2026. All three had a very good January, returning +8%, +10% and +2.7% respectively in the month. We also suggested that the A\$ would appreciate through 70c in early 2026 and after ending 2025 at 66.7c the A\$ finished the month at 69.6c. This 4.4% rise ate into the returns of unhedged offshore investments, with offshore unhedged equities returning -2% in January following on from -1% in December. Fixed income had a relatively modest return of +0.2% in Australia, although global bonds fared better, returning +0.9% in January.

The biggest news locally was the shift in the Reserve Bank of Australia's (RBA) interest rate expectations. This followed an employment report that saw the unemployment rate decline more than expected and the December CPI print which printed mildly above expectations. As such, financial markets finished the month priced for a 70% probability of a February rate hike.

Although we have been very constructive on the Australian economic outlook into 2026, we do note that the rise in the A\$ has contributed to a sharp tightening in Australian financial conditions. In our view, there are a number of quirks in both the employment and inflation data that suggest the RBA should refrain from engaging in a renewed and sustained tightening cycle.

We expect a somewhat bumpy but overall 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 Federal Reserve and stubbornly high US government debt. We also expect a weaker US\$ to again become a dominate theme in 2026, helping to propel the A\$/US\$ towards 75c by mid-2026.

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

## Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	7.94	3.60	4.34
Consumer Discretionary	3.18	7.27	-4.09
Consumer Staples	1.52	3.37	-1.85
Energy	4.74	3.94	0.79
Financials	20.51	32.40	-11.89
Health Care	9.59	7.18	2.41
Industrials	3.64	7.27	-3.63
Information Technology	4.99	2.24	2.75
Materials	30.34	24.93	5.42
Real Estate	5.16	6.42	-1.25
Utilities	4.43	1.39	3.04

## Top 3 holdings

	Portfolio %	Benchmark %	Active %
BHP Group	12.66	9.53	3.13
Westpac Banking	6.84	4.93	1.91
Commonwealth Bank of Australia	6.60	9.27	-2.68

## Key active positions

Overweights	Portfolio %	Benchmark %	Active %
BHP Group	12.66	9.53	3.13
Woodside Energy	4.74	1.79	2.95
ResMed	3.63	0.79	2.83
Underweights			
National Australia Bank	0.00	4.93	-4.93
Wesfarmers	0.00	3.51	-3.51
ANZ	0.69	4.06	-3.37

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	1.06	3.73	0.76	-0.52
Distribution return	5.32	4.59	8.99	8.73

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 companies listed on the Australian Securities Exchange. In doing so, the aim is to outperform the S&P/ASX 200 Accumulation Index over rolling 3-year periods.	
Recommended investment time frame	5 - 7 + years	
Fund inception	July 1996	
Fund size	A\$136.8 mn as at 31 January 2026	
APIR code	JBW0009AU	
Estimated management cost	0.90% p.a.	
Buy/sell spread	+/- 0.15%	
Platform availability	Asgard Ausmaq BT Panorama BT Super Wrap FirstWrap GrowWrap	Hub24 IOOF Pursuit Macquarie Wrap Netwealth Oasis Powerwrap

## Investment performance comparison of \$50,000

After fees, since inception of the Yarra Australian Equities Fund, July 1996 to January 2026.



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 S&P/ASX 200 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. Note that the minimum initial investment amount for the Yarra Australian Equities Fund is \$10,000.

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## Applications and contacts

Investment into the Yarra Australian Equities Fund can be made by Australian and New Zealand resident investors only.

**Website** [www.yarracm.com](http://www.yarracm.com)

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