

# Yarra Australian Smaller Companies Fund

## Gross returns as at 31 January 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception* % p.a.
Yarra Australian Smaller Companies Fund	1.99	0.96	20.05	13.20	9.73	11.93
S&P/ASX Small Ordinaries Accumulation Index	2.74	2.65	22.76	12.06	7.48	8.84
Excess return (before fees) †	-0.75	-1.70	-2.71	1.14	2.25	3.09

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.	Since inception* % p.a.
Yarra Australian Smaller Companies Fund	1.92	0.74	19.04	12.25	8.81	10.99
S&P/ASX Small Ordinaries Accumulation Index	2.74	2.65	22.76	12.06	7.48	8.84
Excess return (after fees) †	-0.83	-1.91	-3.72	0.19	1.33	2.15

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-cap equities market rose during the month of January.

The S&P/ASX Small Ordinaries Accumulation Index returned +2.7% for the month, taking its 12-month return to +22.8%. The broader S&P/ASX 300 Accumulation Index returned +1.7%, whilst globally, the MSCI World Index delivered +1.4% for the month.

Materials (+9.1%) delivered strong performance, supported by broad-based strength in metals and mining. Greatland Resources (GGP, +25.4%) led the sector, with additional support from Westgold Resources (WGX, +14.3%), Emerald Resources (EMR, +17.9%) and Lontown (LTR, +17.8%). Partially offsetting this were declines in Ora Banda Mining (OBM, -16.3%) and WA1 Resources (WA1, -13.6%).

Energy (+23.5%) also delivered strong performance, amid geopolitical tensions driven by strong gains across uranium and energy names. Deep Yellow (DYL, +54.4%) and Paladin Energy (PDN, +44.3%) were among the strongest performers. These gains were partly offset by weakness in Viva Energy (VEA, -12.2%).

Industrials (+0.5%) recorded modest gains. Strength from Monadelphous (MND, +17.5%) and Reece (REH, +10.5%) outweighed weakness in Silex Systems (SLX, -19.1%) and Virgin Australia (VGN, -10.6%).

Financials (-4.0%) detracted from index performance. Judo Capital (JDO, +5.2%) and HMC Capital (HMC, +6.1%) provided some support, while Zip Co (ZIP, -19.5%) and Magellan Financial Group (MFG, -12.5%) were notable laggards.

Real Estate (-3.2%) weakened, led lower by Ingenia Communities (INA, -8.5%), partly offset by gains in Lifestyle Communities (LIC, +10.1%).

Health Care (-6.7%) declined broadly as a number of companies including Polynovo (PNV, -17.5%) and Neuren Pharmaceuticals (NEU, -10.3%) underperformed.

Communication Services (-1.6%) edged lower, as gains in Nine Entertainment (NEC, +3.2%) were outweighed by declines in Superloop (SLC, -11.2%) and Aussie Broadband (ABB, -10.3%).

## Portfolio review

### Key Contributors

**Sims Group (SGM, overweight)** – the scrap steel producer outperformed during the month, aided by a 5% increase in US scrap prices, and 3% rise in Turkish scrap steel prices. We believe the company's majority US exposure leaves it well placed to benefit from steel tariffs, a benefit that should more than offset headwinds elsewhere in the company's 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.

**Monadelphous (MND, overweight)** – the mining services company outperformed during the period after a continued high level of new contract wins and extensions. We continue to hold a small MND position given structural and cyclical growth in engineering and construction activity and continued defensive growth in maintenance services.

**Imdex (IMD, overweight)** – the mining services company outperformed during the period despite limited company specific news; although higher commodity prices and higher equity raisings among resources companies are positive lead indicators. We continue to hold a positive view towards IMD given cyclical upside in exploration spending globally, continued long term market growth from critical metals demand growth and the growing difficulty in finding new resources. Furthermore, there is a significant global market share opportunity from organic and acquired technologies such as Devico. Valuation upside remains attractive given the strong growth outlook and conservative accounting.

### Key Detractors

**Paladin Energy (PDN, underweight)** – the uranium producer outperformed during January on higher commodity prices. Spot uranium prices increased by 23% across the month to close at US\$100/lb. While the company's production is largely contracted, spot prices are an important influence on the company earnings and medium-term outlook.

**Greatland Resources (GGP, underweight)** – the gold and copper producer outperformed during the month as both gold (+21%) and copper (+9%) prices rallied. At this time we see better long-term value in gold peers Genesis Minerals (GMD), Vault Minerals (VAU) and Bellevue Gold (BGL), while for copper exposure we prefer Capstone Copper (CSC).

**Codan (CDA, underweight)** – the manufacturer of communications and metal detector products was a detractor from performance during the period given a stronger-than-expected trading update led to the company outperforming. While the company is benefiting from strong growth in both defence and gold end markets with a strong management team; we currently prefer peers such as Imdex (IMD) and Chrysos (C79).

### 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 in the Financials, Health Care and Industrials sectors and are underweight Materials, Energy and Consumer Discretionary.

## Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	4.08	4.79	-0.71
Consumer Discretionary	10.01	11.45	-1.44
Consumer Staples	1.62	2.90	-1.29
Energy	3.27	7.57	-4.30
Financials	17.50	10.27	7.23
Health Care	6.85	4.15	2.71
Industrials	14.55	12.82	1.73
Information Technology	6.10	6.22	-0.12
Materials	22.47	29.55	-7.08
Real Estate	10.31	10.29	0.03

## Top 3 holdings

	Portfolio %	Benchmark %	Active %
AUB Group	4.05	1.07	2.98
Sims	3.96	0.99	2.97
Bellevue Gold	3.96	0.85	3.11

## Key active positions

Overweights	Portfolio %	Benchmark %	Active %
Bellevue Gold	3.96	0.85	3.11
Imdex	3.67	0.59	3.08
Amplitude Energy	3.27	0.28	2.99
Underweights			
Westgold Resources	0.00	2.12	-2.12
Greatland Resources	0.00	2.10	-2.10
Paladin Energy	0.00	1.90	-1.90

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\$108.8 mn as at 31 January 2026
ARSN code	642 665 263
Estimated management cost	0.85% p.a.
Buy/sell spread	+/- 0.30%

---

## 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 each of the Funds 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 Funds, including the relevant PDSs, 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 Funds are 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.