Investment Commentary
Month to 28 February 2026

Yarra Australian Equity Income Fund

Gross returns as at 28 February 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 Equity Income Fund (grossed up for franking credits)^	5.17	7.36	23.12	13.05	13.20	12.00	11.91
S&P/ASX 200 Accumulation Index (grossed up for franking credits)	4.24	7.48	17.37	13.56	12.22	12.23	11.39
Excess return (before fees)‡	0.93	-0.13	5.75	-0.51	0.98	-0.23	0.52

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

Net returns as at 28 February 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 Equity Income Fund^	4.98	7.05	20.64	10.42	10.29	9.07	8.99
Yarra Australian Equity Income Fund Yield (grossed up Dividend Yield)			6.59	7.32	8.09	8.34	8.49
S&P/ASX 200 Accumulation Index Yield (grossed up Dividend Yield)			4.24	4.91	5.23	5.30	5.65
Excess yield‡‡			2.35	2.41	2.86	3.04	2.84

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 of the Yarra Australian Equity Income Fund: November 2008
^ Effective 2 January 2026, the Yarra Australian Equities investment team was appointed to assume investment management of the Fund in place of the Tyndall Asset Management investment team. The Fund was also renamed the Yarra Australian Equity Income Fund (previously named the Tyndall Australian Share Income Fund). There were no changes made to the Fund's investment objective or strategic asset allocation.

Market review

The Australian equities market rose during the month of February.

The S&P/ASX 200 Accumulation Index returned +4.1% for the month, taking its 12-month return to +16.2%. The broader S&P/ASX 300 Accumulation Index returned +3.9%, whilst globally, the MSCI World Index delivered +1.0% for the month.

Financials (+9.2%) was the largest sector contributor. Banks performed strongly following good results and a rate rise increase by the Reserve Bank of Australia (RBA). The increase was led by Commonwealth Bank of Australia (CBA, +18.5%), National Australia Bank (NAB, +13.0%) and Westpac Banking Corporation (WBC, +9.6%), with ANZ Group (ANZ, +9.1%) also contributing. QBE Insurance (QBE, +10.1%) provided some offset within Insurance, although Insurance Australia Group (IAG, -10.8%) and Suncorp Group (SUN, -13.0%) detracted.

Materials (+9.1%) driven by positive commodities sentiment. BHP (BHP, +15.5%) and Rio Tinto (RIO, +10.4%) rose, while Lynas Rare Earths (LYC, +27.4%) and lithium producer PLS Group (PLS, +21.0%) also performed well.

Health Care (-13.3%) was the primary sector detractor following a weak reporting season. CSL (CSL, -19.1%), Pro Medicus (PME, -29.2%) and Cochlear (COH, -26.0%) fell sharply, while Ramsay Health Care (RHC, +18.5%) provided some offset.

Consumer Discretionary (-5.8%) detracted with weakness in Aristocrat Leisure (ALL, -10.2%) and Light & Wonder (LNW, -19.7%). Wesfarmers (WES, -3.3%) also declined, while The Lottery Corporation (TLC, +8.6%) and JB Hi-Fi (JBH, +3.8%) offered some support.

Real Estate (-3.6%) detracted with Goodman Group (GMG, -5.8%) and Stockland (SGP, -5.2%) weaker.

Information Technology (-9.1%) was again a detractor as investors focused on AI led disruption within the sector, particularly software names. Stocks that fell sharply included WiseTech Global (WTC, -18.0%) and Xero (XRO, -11.3%), while NextDC (NXT, +4.2%) provided a modest offset.

Portfolio review

Key Contributors

BHP (BHP, overweight) – our overweight position in the diversified miner was a source of outperformance during February. The company's 1H26 result was 3% ahead of consensus NPAT expectations, with the interim dividend of US73cps 18% above consensus expectations. Copper earnings were >50% of total EBITDA for the first time. The company also announced a US$4.3bn streaming deal over silver production from the Antamina copper mine.

Wesfarmers (WES, underweight) – the diversified conglomerate underperformed during the period after reporting its 1H26 result. Although the company broadly met expectations, the earnings beat was driven by its lower quality Lithium exposure rather than its core retail offers (Bunnings/Kmart), resulting in questions over the outlook for comparable sales and operating leverage in the business. With the company still trading on a premium FY26 P/E multiple of 30.6-times vs 21.9-times the 10-year average, and a modest 3.0% dividend yield, expectations remain high for the stock.

Goodman Group (GMG, underweight) – the underweight position in the industrial and data centre exposed property owner, developer and manager contributed to performance over the period as the stock weakened following the release of their 1HFY26 accounts. While shorter-term earnings momentum overall remains intact – FY26 earnings guidance was reaffirmed – investors were disappointed with the lack of data centre customer commitments accompanying the strong power bank, partnership progress and data centre development activity. While Goodman, trading on a relatively full 20x EV/EBITDA, is showcasing increasing capacity in the data centre space, we retain an underweight position, with a preference for NextDC in the data centre space.

Key Detractors

Steadfast Group (SDF, overweight) – the commercial insurance broker fell during the month as investors weighed the risk to insurance brokers of disintermediation from AI powered price discovery tools. This fear comes against an already softening growth outlook for SDF as the commercial premium environment softens globally. Despite moderating growth, we believe SDF has enough levers to continue to grow both in Australia and the US, sustaining and growing its 4.7% dividend yield.

Seek, (SEK, overweight) – the online employment marketplace fell during the month despite reporting a result in line with expectations. SEK followed the trend of other online classified players, declining around fears of AI disruption. We see SEK as being very well advanced around its own AI capabilities and AI enabled product, which along with the dual nature of its marketplace (recruiters and employees) makes it well positioned to sustain its market leading position.

Suncorp (SUN, overweight) – the general insurer declined during the month as it became clear from the results of domestic insurers that the rate environment continued to slow and that the margin cycle in domestic personal lines had probably topped out. SUN's 1H26 result was also heavily impacted by natural disaster costs, which was a negative differentiator relative to more heavily loss protected peers.

Market outlook

Australian equity markets delivered a strong performance in February 2026, underpinned by robust corporate earnings, supportive commodity prices, and renewed confidence in domestic growth momentum. These positives outweighed the headwind from the Reserve Bank of Australia (RBA) with equity markets reaching fresh record highs and the Australian dollar appreciating further over the month. The ASX 200 Index returned 4.1% in February, completing the strongest two month start to a calendar year since 2019. Large resource companies led the gains, rising with the S&P/ASX 200 Resources and Small Resources producing returns of 8.7% and 0.9%, respectively. The S&P/ASX 100 outperformed the Small Ordinaries by 7.4%.

In comparison, global equities returned 0.7% in February; however, for unhedged investors, the 2.2% rise in the Australian dollar during the month resulted in a decline of 1.4%. This is the third month of sequential declines for unhedged global equity holders.

Bond holders had a solid month of returns in February, with returns of 0.9% m/m for domestic fixed income, while global bonds returned 1.1%. Rising inflation concerns in Australia ultimately encouraged the RBA to act on its tightening bias in February with a 25bp hike, and this helped underpin demand for inflation-linked bonds which returned 1.1% in February. Strength in commodity prices also stoked inflation concerns, with commodity prices rising 2.4% in February, following a 9.8% surge in January. A 7.9% rise in gold prices during the month was a main contributor to the rise.

Rising concerns over a potential conflict with Iran became evident later in the month and overshadowed February's reporting season which exceeded consensus expectations overall. Earnings upgrades outnumbered downgrades, particularly in the resources and financial sectors. Consumer exposed sectors showed more mixed results as cost-of-living pressures weighed on volumes.

Looking forward, the escalation of the Iran conflict will dominate near term market movements, however, rising solvency concerns over some private credit funds and the escalation of disruption fears from AI are also important developments. From Australia's perspective, the combination of a rapid decline in the economy's dependence upon crude oil and the rise in the Australian dollar should contain the economic shock of higher oil prices to a relatively modest jump in retail fuel prices. A $10 per barrel rise in oil prices translates to a 6c rise in retail petrol prices. Given petrol has a 3.4% weighting in the CPI, the initial impacts of oil prices stabilising around $95 per barrel are quite small. The overall economic impacts are even less, given Australia's large export presence in LNG markets which benefit from oil-price linkage contracts.

Domestically, the main focus has been that strong upward revisions to Australia's GDP growth have collided with the

RBA's fear that Australia was already growing in excess of its 'potential' economic growth. Despite the RBA noting that most of the inflationary pressure in Australia is currently one-off sector specific pressures that will soon moderate, they are increasingly concerned that future inflation may be higher than projected particularly should inflation expectations become unanchored. At this stage, there is no evidence that longer term inflation expectations have moved but there is evidence that consumer confidence has fallen precipitously. The risk of a further hike in May can't be dismissed; however, financial conditions have tightened sharply during the past month, and we expect both activity and labour market data to cool in coming months.

Our forecast for the Australian dollar to exceed US75c by mid-2026 will further tighten financial conditions and ultimately, we think that this will contribute to the reason why the RBA will remain on hold. In concert with our forecast for two rate cuts by the U.S. Federal Reserve in 2H26 and solid consensus earnings growth expectations, we remain of the view that equity markets will provide around a 10% return in 2026, albeit if most of those gains occur late in the calendar year. Volatility across financial markets is likely to persist through the June quarter, however, we expect financial markets to focus more on earnings than geopolitics as a driver of returns as the year progresses.

We are most overweight stocks within the Communication Services, Utilities and Health Care sectors, and are underweight Industrials, Real Estate and Information Technology.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	9.26	3.48	5.78
Consumer Discretionary	4.82	6.54	-1.71
Consumer Staples	3.19	3.45	-0.26
Energy	3.74	3.91	-0.17
Financials	33.45	33.94	-0.49
Health Care	7.38	5.99	1.39
Industrials	2.14	7.21	-5.07
Information Technology	0.00	1.96	-1.96
Materials	26.69	26.19	0.50
Real Estate	3.75	5.94	-2.19
Utilities	3.82	1.39	2.42

Top 3 holdings

	Portfolio %	Benchmark %	Active %
BHP	13.46	10.61	2.85
Commonwealth Bank of Australia	8.72	10.45	-1.73
Westpac	7.34	5.21	2.13

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
BHP	13.46	10.61	2.85
Chorus	2.43	0.12	2.31
Origin Energy	3.01	0.75	2.26
Underweights			
Wesfarmers	0.00	3.23	-3.23
Goodman	0.00	2.12	-2.12
Macquarie Group	0.86	2.71	-1.84

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	15.04	5.59	4.72	2.57
Distribution return	5.60	4.83	5.57	6.50

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.

Fund Metrics*

	Price to Earnings Ratio	Forecast Dividend Yield (pre franking)
Fund	18.27	3.82
Index	18.37	3.25
Difference	-0.10	0.58

* Consensus estimated, Factset, NTM

Features

Investment objective	To provide a tax-effective income stream that exceeds the dividend yield of the S&P/ASX 200 Accumulation Index (grossed up for franking credits) by 2% p.a. over rolling five-year periods, before fees, expenses and tax, plus the potential for capital growth over the long-term.
Recommended investment time frame	5 - 7 + years
Fund inception	November 2008
Fund size	A$123.9 mn as at 31 February 2026
APIR code	TYN0038AU
Estimated management cost	0.80% p.a.
Buy/sell spread	+/- 0.15%
Platform availability	Hub24 Netwealth Insignia Expand

Applications and contacts

Investment into the Yarra Australian Equity Income Fund can be made by Australian resident investors only.

Website www.yarracm.com

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