

Yarra Ex-20 Australian Equities Fund

Rating issued on 26 Feb 2026 | APIR: JBW0052AU

Investment objective

To outperform the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index (after fees) over rolling three-year periods. Internally, Yarra seeks to outperform the benchmark by 3% p.a. to 4% p.a. (before fees) over the same timeframe.

Manager	Yarra Capital Management Group
Distributor	Yarra Capital Management Group
Sector	Australian Shares \ Mid Cap Companies
Investment Style	Fundamental
Equity Style	Neutral
RI Classification	Integrated
Absolute Risk	High
Relative Risk	Active - Benchmark Unaware
Investment Timeframe	7+ Years
Zenith Benchmark	S&P/ASX MidCap 50
Min Investment Amount	\$50,000
Redemption Frequency	Daily
Income Distribution	Half Yearly
Fund Size (30 Jan 2026)	\$124.50M
Management Cost	0.90% p.a. Incl. GST
Performance Fee	N/A
Buy / Sell Spread	0.15% / 0.15%
Inception Date	31 Jul 2010

Fund facts

- Typically holds between 15 and 35 securities
- Excludes S&P/ASX 20 Index constituents
- Portfolio turnover expected to range between 30% p.a. and 50% p.a. over a market cycle

Viewpoint

The Fund, managed by Melbourne-based Yarra Capital Management (Yarra), provides investors with a style-neutral, concentrated and benchmark-unaware exposure to Australian mid-cap companies. Yarra applies a fundamental research approach with a long-term investment horizon. Zenith's conviction in the Fund is underpinned by the experienced and stable investment team.

Yarra was established in 2017 following the management buyout of Goldman Sachs Asset Management's Australian-focused investment capabilities, backed by private equity group TA Associates. Yarra's senior management owns 40% of the equity in the firm, with TA Associates owning 40% and Nikko Asset Management owning 20%.

Dion Hershman is ultimately responsible for the management of the Fund. Hershman is directly supported in the management of the Fund by Edward Waller. Zenith believes Hershman is a capable investor with sufficient experience to successfully manage the Fund. In addition, we draw comfort from the support provided by Waller, who we consider to have a complementary skillset and has worked with Hershman for an extended period.

Primarily based in Melbourne, the Australian equities team comprises 14 members, led by Hershman, who is directly supported by Hudson. Zenith believes Hershman and Hudson have the requisite experience to manage the investment team. All members of the investment team have research responsibilities that are divided across sector lines. Zenith considers the investment team to be sufficiently resourced.

Yarra's investment process is premised on the belief that equity markets are inefficient and that asset prices do not always reflect their intrinsic value. To exploit these market inefficiencies, Yarra seeks to develop unique insights and adopts a longer-term investment horizon. Zenith believes Yarra's investment process is well structured. Zenith believes Yarra follows a sound investment process.

The output of the research process is a one-page investment thesis articulating the valuation, risks and catalysts of a company. This analysis facilitates a peer-review process occurring during the morning and portfolio meetings. An important and differentiating aspect of the research output is the categorisation of securities into different payoff horizons. Stocks are categorised based on Yarra's assessment of risk characteristics and expected payoffs. Zenith highlights that Yarra's standardised approach to security analysis is intuitive and results in a consistent and detailed framework to identify ideas.

The portfolio construction process aims to produce a portfolio of securities with payoffs spread across multiple time horizons to improve diversification. Zenith is comfortable with Yarra's portfolio construction approach and believes it ensures a connection between the output of its security selection process and the resultant weight of the stock in the Fund.



Fund analysis

Fund characteristics

Constraint	Value
Number of Stocks	15 to 35
Market Capitalisation	Min: \$A 500 million (Typically)
Cash	Max: 10%
Tracking Error	Max: 6% p.a. (Soft limit)

Investment objective and philosophy

The Fund's investment objective is to outperform the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index (after fees) over rolling three-year periods. Internally, Yarra seeks to outperform the benchmark by 3% p.a. to 4% p.a. (before fees) over the same timeframe.

Yarra's investment process is premised on the belief that equity markets are inefficient and that asset prices do not always reflect their intrinsic value. To exploit these market inefficiencies, Yarra seeks to develop unique insights and adopts a longer-term investment horizon.

Yarra believes the Australian market is extremely narrow, with little differentiation between value and growth securities. As such, Yarra seeks to be opportunistic, preferring to have the ability to oscillate between value and growth securities.

Zenith believes Yarra follows a sounds investment process.

Portfolio applications

In general, compared to most other asset classes, equities offer investors the opportunity for higher capital growth over the longer term with some income. However, this higher growth is also often associated with higher volatility and, as such, it is recommended that investors adopt a longer time frame when investing in equities.

For investors seeking to achieve a well-blended exposure to Australian equities, Zenith suggests Australian mid-cap funds are best used in combination with large capitalisation and small/micro capitalisation Australian equities funds. However, we note that this strategy typically has a significant allocation to large-cap securities (between S&P/ASX 20 and S&P/ASX 50), unlike many mid-cap peers that only invest in securities outside the S&P/ASX 50.

The Fund is constructed in a benchmark-unaware manner and, as such, investors should be aware that returns may vary considerably from the benchmark and peers.

Given Yarra's typically style-neutral approach, Zenith believes the Fund could be blended with other style-neutral, value and/or growth-orientated products to achieve a more diversified exposure.

The Fund's portfolio turnover is expected to average 30% p.a. to 50% p.a. over a market cycle, which Zenith considers to be low to moderate. Yarra has indicated that approximately 40% of the expected turnover is attributed to resizing existing positions and approximately 60% is due to complete sales and new additions. Given this expected level of turnover, a sizeable proportion of the Fund's returns are expected to be delivered via capital

appreciation in the unit price, rather than through the realisation of capital gains in income distributions. In addition, realised capital gains are likely to be eligible for the capital gains tax discount. As such, holding all else equal, the Fund may be more appealing to investors who are high marginal tax rate payers as it may result in superior after-tax return outcomes.

Fund responsible investment attributes

Key Information	Description
Zenith RI classification*	Integrated
Has Responsible Investment Policy	Yes
Negative screens**	Full/Partial
Armaments	Full
Fossil fuels	Partial
Adult Entertainment	Full
Tobacco	Partial
Human rights abuse	Full
Other Measures	Conflict Zone Investing (Full), Detention or Incarceration (Full), Drift Net or Trawl Fishing (Full), Palm Oil (Full), Predatory Lending (Full), Thermal Coal (Partial)
PRI Status	
PRI Signatory	Yes

*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact

**Data has been supplied by third parties. While such information is believed to be accurate, we do not accept responsibility for any inaccuracy in such data.



Absolute performance

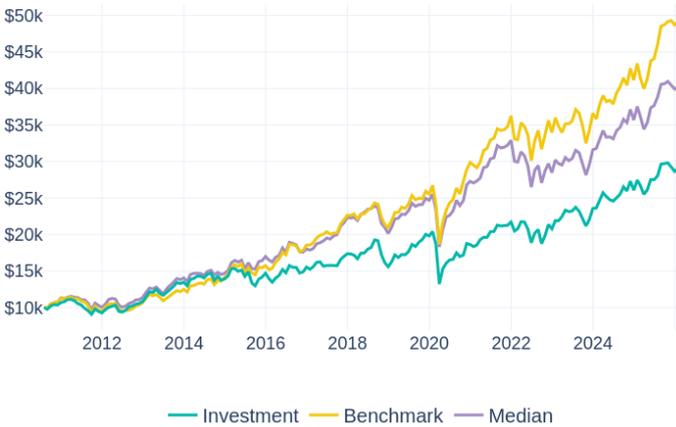
Performance as at 31 Jan 2026

Monthly performance history (% , net of fees)

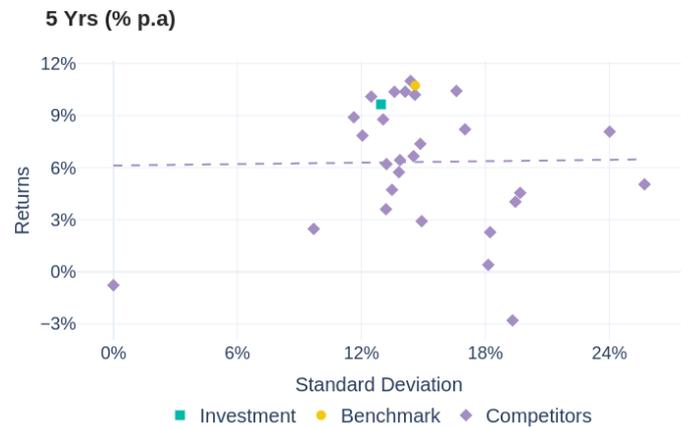
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*
2026	1.50%												1.50%	1.01%
2025	5.26%	-2.77%	-4.43%	2.30%	5.47%	-0.01%	1.83%	5.78%	0.24%	0.33%	-1.88%	-2.05%	9.85%	18.34%
2024	0.30%	4.20%	4.46%	-2.05%	-1.68%	-0.78%	2.01%	1.84%	3.93%	-2.13%	5.19%	-4.54%	10.67%	12.39%
2023	5.40%	-0.12%	2.66%	3.86%	-0.87%	0.43%	2.18%	-2.29%	-4.25%	-4.65%	4.15%	6.86%	13.35%	7.76%
2022	-5.67%	1.44%	4.66%	-0.10%	-4.57%	-8.94%	6.95%	2.36%	-9.30%	5.97%	7.58%	-2.74%	-4.28%	-6.25%

*S&P/ASX MidCap 50

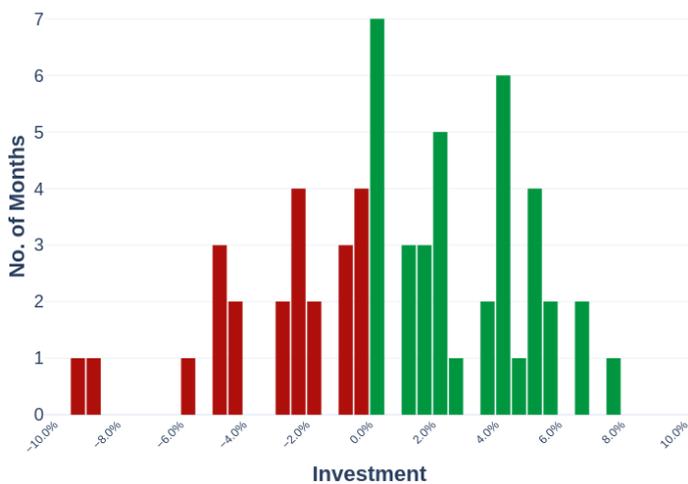
Growth of \$10,000



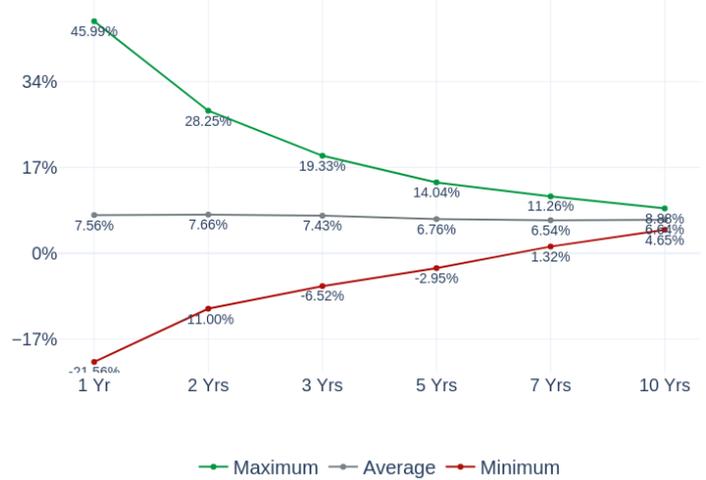
Risk / return



Monthly histogram



Minimum and maximum returns (% p.a.)





Absolute performance analysis

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	5.93%	9.89%	9.65%	7.61%	7.13%
Income	2.88%	2.00%	2.25%	2.49%	2.61%
Growth	3.04%	7.89%	7.40%	5.13%	4.51%
Benchmark	13.24%	10.96%	10.73%	12.47%	10.82%
Median	6.98%	9.95%	8.21%	9.30%	9.38%
Cash	3.89%	4.12%	2.77%	2.12%	2.60%

Ranking within sector (p.a.)

Ranking within Sector	1 Yr	2 Yrs	3 Yrs	5 Yrs
Fund Ranking	14 / 24	15 / 24	10 / 20	7 / 19
Quartile	3rd	3rd	2nd	2nd

Absolute risk

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Standard Deviation (% p.a.)					
Investment	10.31%	11.09%	12.95%	16.61%	15.52%
Benchmark	10.93%	12.45%	14.60%	16.03%	15.12%
Median	10.35%	11.14%	13.51%	15.03%	14.27%
Downside Deviation (% p.a.)					
Investment	5.93%	6.16%	8.26%	12.31%	11.24%
Benchmark	5.96%	7.17%	9.28%	10.83%	10.07%
Median	6.32%	6.37%	8.97%	10.51%	9.62%

Absolute risk/return ratios

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Sharpe Ratio (p.a.)					
Investment	0.20	0.52	0.53	0.33	0.29
Benchmark	0.86	0.55	0.55	0.65	0.54
Median	0.30	0.52	0.40	0.48	0.48
Sortino Ratio (p.a.)					
Investment	0.34	0.94	0.83	0.45	0.40
Benchmark	1.57	0.95	0.86	0.96	0.82
Median	0.49	0.91	0.61	0.68	0.71

For consistency purposes, Zenith benchmarks all products categorised within our Australian Shares - Mid Cap Companies sub-asset class against the S&P/ASX Midcap 50 Index. Accordingly, all performance and risk measurements are calculated with Zenith's assigned index. However, Yarra benchmarks the Fund against the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index.

Investors should note that, prior to June 2018, the Fund was managed as a concentrated Australian equities strategy (inclusive of S&P/ASX 20 securities).

All commentary below is as at 31 January 2026.

The Fund's investment objective is to outperform the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index (after fees) over rolling three-year periods. Internally, Yarra seeks to outperform the benchmark by 3% p.a. to 4% p.a. (before fees) over the same timeframe.

Whilst the Fund has met its investment objective over the most recent three-year period, it has underperformed its benchmark since June 2018.

The Fund's risk (as measured by Standard Deviation) has been lower than the benchmark over the same timeframe.

The Fund's Sharpe Ratio has been lower than the benchmark since June 2018, which indicates that investors have been insufficiently compensated for its risk.

Yarra does not target a specific level of income, with distributions made semi-annually where possible.



Relative performance

Excess returns

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Excess Return	-7.31%	-1.07%	-1.08%	-4.86%	-3.70%
Monthly Excess (All Mkts)	25.00%	38.89%	43.33%	41.67%	42.47%
Monthly Excess (Up Mkts)	22.22%	22.73%	27.03%	30.77%	33.33%
Monthly Excess (Down Mkts)	33.33%	64.29%	69.57%	61.90%	59.09%

Capture ratios (% p.a.)

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Downside Capture	98.37%	70.63%	73.76%	92.78%	94.75%
Upside Capture	68.69%	78.91%	79.70%	79.22%	83.25%

Tracking error (% p.a.)

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	3.84%	5.44%	5.72%	6.06%	6.14%
Median	2.37%	3.28%	3.44%	3.79%	3.83%

Information ratio

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	-1.91	-0.20	-0.19	-0.80	-0.60
Median	-2.64	-0.31	-0.73	-0.84	-0.38

Beta statistics

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Beta	0.88	0.80	0.82	0.97	0.94
R-Squared	0.88	0.81	0.85	0.87	0.85
Correlation	0.94	0.90	0.92	0.93	0.92

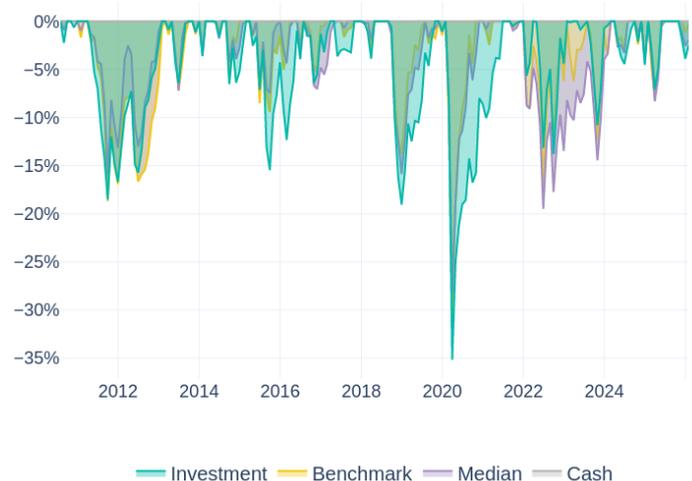
All commentary below is as at 31 January 2026.

Zenith seeks to identify strategies that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill. In addition, we view a strategy's ability to produce stronger upside capture ratios relative to downside capture ratios as an attractive feature. Disappointingly, the Fund has not achieved either of these outcomes against Zenith's assigned benchmark since June 2018.

The Fund has achieved greater outperformance consistency in declining markets, which we believe is consistent with Yarra's focus on quality during its investment process.

Drawdown analysis (since inception)

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



All commentary below is as at 31 January 2026.

Historically, the Fund has generally exhibited drawdowns more pronounced than the benchmark. However, more recently, the Fund has demonstrated a propensity to protect investor capital relative to the benchmark.



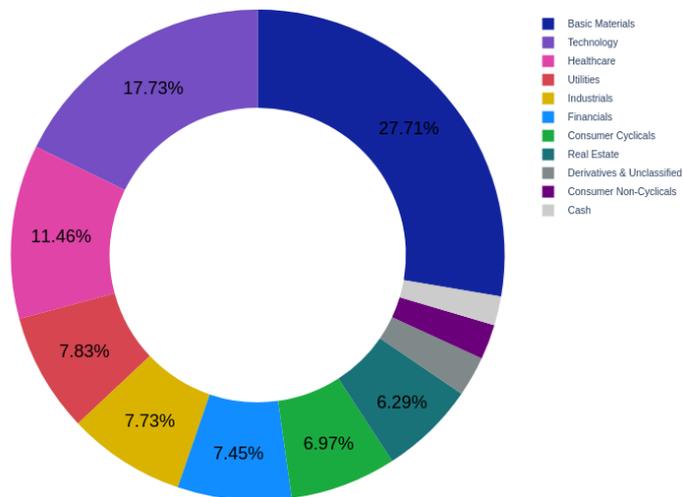
Product exposures

Holdings as at 31 Dec 2025

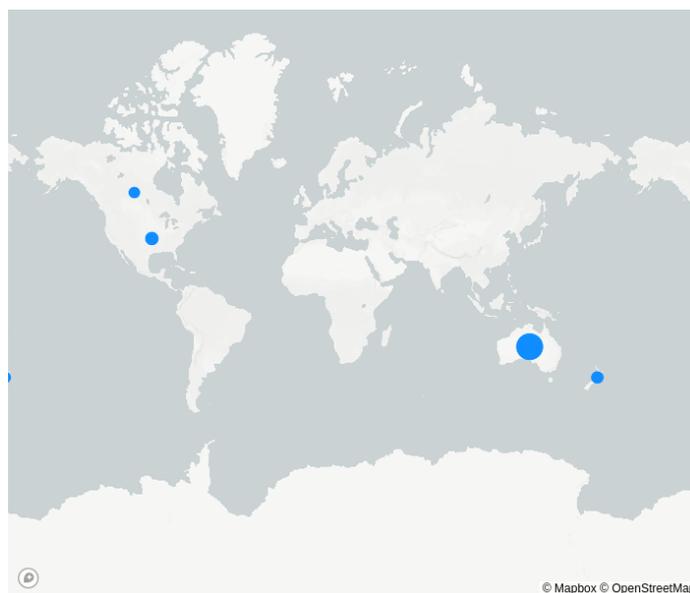
Top 10 holdings

Stock	Weight	Country	Sector	Active Exposure
Northern Star Resources	8.07%	Australia	Basic Materials	6.69%
ResMed	5.07%	United States	Healthcare	4.33%
Origin Energy	4.76%	Australia	Utilities	4.04%
Insurance Australia Group	4.54%	Australia	Financials	3.86%
Nextdc	4.21%	Australia	Technology	3.91%
Carsales.Com	4.00%	Australia	Technology	3.58%
Evolution Mining	3.98%	Australia	Basic Materials	3.05%
Xero	3.85%	New Zealand	Technology	3.17%
Mirvac Group	3.61%	Australia	Real Estate	3.32%
TPG TELECOM	3.49%	Australia	Technology	3.43%
Total	45.58%			

Equity sector exposure



Equity country exposure





Fund commentary

Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

Key person risk: Zenith would consider the departure of Dion Hershman as a material loss, triggering an immediate review of our rating on the Fund. However, we believe his equity stake mitigates the risk of his departure over the medium term. In addition, we note that Yarra has taken steps to plan for succession with Waller, who currently acts in a deputy portfolio management capacity.

Capacity risk: Zenith believes that high levels of funds under management (FUM) can inhibit a manager's ability to trade portfolio positions effectively and therefore limit outperformance potential. Yarra has a stated capacity limit for the strategy of \$A 5 billion.

As at 31 January 2026, Yarra managed \$A 3.2 billion in the strategy. As such, Zenith does not consider capacity to be an issue. However, we will continue to monitor Yarra to ensure that increasing levels of FUM do not begin to negatively impact performance.

Relative performance risk: Given that Yarra follows a benchmark-unaware investment approach, the Fund's performance may diverge substantially from the benchmark and peers.

Focus risk: Hershman is responsible for multiple Yarra strategies, which we believe may dilute his focus on the Fund. However, we note that there is a high degree of overlap between the strategies, which somewhat mitigates our concerns.

Security/asset selection

The Fund's investment universe typically includes constituents of the S&P/ASX 300 Index, excluding those that are constituents of the S&P/ASX 20 Index.

A liquidity filter is applied to remove securities that would take more than 30 days to liquidate from the Fund, based on an average daily turnover and position size in the portfolio. It is anticipated that the liquidity filter will remove securities with market capitalisations less than \$A 500 million, resulting in an investment universe of approximately 280 securities.

Unlike many peers, Yarra does not apply quantitative screens to highlight companies that rank favourably based on financial ratios. Analysts are responsible for the coverage of all companies within their respective sectors, with companies placed into the following categories:

- High impact – securities held in Yarra's portfolios or representing a significant portion of the benchmark
- High interest – securities that have the potential to be included in the portfolio
- Watch list – securities that are not an immediate priority, however, are monitored and have the potential to be included in the portfolio

Securities are placed in the 'High Interest' and 'Watch List' categories if analysts believe they can identify unique company insights that would provide Yarra with a differentiated view relative to the market. Insights are developed through company, value chain, and broader industry analyses. Zenith believes that by actively seeking investment opportunities that are yet to be recognised by the market, the Yarra is well-positioned to capitalise on changing market dynamics.

Idea generation and individual analyst research agendas are driven by Hershman and Hudson, who meet analysts at least weekly to discuss their upcoming agenda.

Yarra's investment team is expected to conduct approximately 1,600 company meetings per year. Analysts actively engage with company management, competitors, suppliers and customers to gain a heightened understanding of the factors impacting the market. The team also engages with brokers to understand the market's expectations for specific industries and companies. Zenith views the active engagement of analysts with a variety of industry participants favourably and believes this approach provides analysts with a deeper understanding of industry dynamics.

When developing a company's valuation, analysts consider a range of valuation methodologies including discounted cash flow analysis, free cash flow yields, price-to-earnings ratios, and other industry-specific valuation methods. Analysts apply a discounted cash flow model across all industries, with further valuation methodologies determined based on the industry in which a company operates.

The output of the research process is a one-page investment thesis articulating the valuation, risks and catalysts of a company. This analysis facilitates a peer-review process occurring during the morning and portfolio meetings. An important and differentiating aspect of the research output is the categorisation of securities into different payoff horizons (internally referred to as phases):

- Phase 1 - High degree of visibility around earnings and key events - expected payoff in six to twelve months
- Phase 2 - Supportive industry and company trends, however no definitive near-term catalysts - expected payoff in one to three years
- Phase 3 - Clear value opportunity, however no insight or certainty in near-term financials - expected payoff uncertain

The segregation of the investment universe based on expected payoff horizons enables the team to consider mispricing opportunities across varying investment timeframes, to assist in capturing the inefficiencies created by the short-term focus of many market participants.

Zenith believes Yarra's standardised approach to security analysis is intuitive and results in a consistent and detailed framework to identify ideas.

Responsible investment approach

Yarra has an established Responsible Investment Policy, last updated in March 2024.



To be in line with industry best practice, Zenith believes Yarra's Responsible Investment Policy should be reviewed every 12 months, at a minimum, to reflect the constantly evolving nature of responsible investing.

Further to the Fund's environmental, social and governance (ESG) screens, Yarra takes an active approach to ESG issues. ESG is evaluated as part of the team's fundamental analysis process, with analysts including an ESG score in each company's written assessment. Implications of material ESG issues are included in the valuation of each company, typically through added operating expenses or an increase in a company's weighted average cost of capital. Where ESG issues are deemed to be significant, they may preclude a company from investment. Erin Kuo, as Chief Sustainability Officer, works closely with Yarra's investment teams to support ESG integration in its investment processes.

Zenith believes that this qualitative analysis of a company's operations is crucial on a forward basis, given that a company's performance with regards to ESG considerations is increasingly being reflected in its share price. Overall, Zenith is comfortable with Yarra's approach to ESG.

Portfolio construction

Portfolio construction and position sizing are driven by Hershman and Waller, who draw on the fundamental research process conducted by the analysts. Particular emphasis is given to liquidity, the nature of the analyst's insight, portfolio interaction and management quality.

In constructing the portfolio, the portfolio managers seek to create a balance across investment styles (value and growth) and investment timeframes, believing that stock-specific insights drive investment outcomes and should be capable of delivering outperformance across the full market cycle. Yarra places a significant emphasis on risk and, as a result, the portfolio managers seek to diversify the portfolio such that no single factor dominates the investment outcome.

Stocks are categorised based on Yarra's assessment of risk characteristics and expected payoff. A stock's risk is defined as low, medium or high, with expected payoff categories of 10%, 20% or 30%. Companies assessed as having high payoff with low risk are assigned initial active weights in excess of 4%, whilst companies with low risk and low payoff, or high risk and high payoff, are assigned active weights less than 2%. Zenith has reviewed Yarra's target weighting guidelines and, whilst noting that it is not used as a final determinant of security weights, we believe it provides a strong link to the security selection process.

The resultant portfolio holds between 15 and 35 securities.

While the Fund has a formal maximum cash limit of 10%, Yarra endeavours to remain close to fully invested, with cash averaging approximately 4% over the past five years. Zenith believes actively managed funds should be fully invested and that allocations to cash should be maintained at a minimum.

Positions will be exited in the following circumstances:

- The investment thesis is invalidated
- The position becomes overvalued
- A better relative value opportunity is identified

Companies that graduate into the S&P/ASX 20 Index must be sold within 12 months. Zenith views this positively, believing it ensures the Fund remains a true mid-cap exposure, whilst retaining flexibility of disposal.

Portfolio turnover is expected to average 30% p.a. to 50% p.a. over a market cycle, which Zenith considers to be low to moderate.

Zenith is comfortable with Yarra's portfolio construction approach and believes it ensures a connection between the output of its security selection process and the resultant weight of the stock in the Fund.

Risk management

Consistent with its emphasis on understanding and managing the risks of the portfolio, Yarra has implemented a strict risk management framework throughout the investment process.

The Fund operates within a highly disciplined framework at the stock selection stage. In Zenith's view, this is an inherent risk management measure as it ensures that a range of individual stock-specific risks are taken into account before an investment is made.

Yarra uses Axioma portfolio risk management to assess the portfolio's risk metrics. Whilst this highlights the Tracking Error of the portfolio, it decomposes each security's contribution to the active risk in the portfolio using different methodologies. Risk software is typically run daily or when dictated by changing market conditions.

While Zenith appreciates that a broad investment mandate is consistent with the Fund's investment objectives, investors should be aware that there is a significant reliance on management judgement and skill.

Investment fees

	Fund	Sector Average
Total Fees and Costs (RG 97)	0.90% p.a.	1.15% p.a.
Management Fees and Costs	0.90% p.a.	0.92% p.a.
Transaction Costs	0.00% p.a.	0.09% p.a.
Performance fees	N/A	0.22%
Performance fees description	N/A	
Management Cost	0.90% p.a.	0.95% p.a.
Buy / Sell spread	0.15% / 0.15%	0.21% / 0.21%

All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).

The sector average management cost is based on the average management cost of all flagship Australian Shares - Mid Cap Companies products surveyed by Zenith.

Overall, Zenith believes the Fund's fee structure is attractive relative to peers, given its stated objectives. In addition, we believe the fees paid over the past three years (ending 30 June 2025) are attractive given the Fund's risk-adjusted performance over the same period.



The fees mentioned above are reflective of the flagship version only and may differ when the product is accessed through an alternate investment vehicle such as a platform.

About the fund manager

Organisation

Yarra Capital Management (Yarra) is a Melbourne-based fund manager that offers a broad range of active strategies spanning Australian equities, global equities and fixed income.

Yarra was established in 2017 following the management buyout of Goldman Sachs Asset Management's Australian-focused investment capabilities and operating platform, backed by TA Associates, a global growth private equity firm with a long history of investing in funds management companies.

In April 2021, Yarra completed the acquisition of Nikko Asset Management's (Nikko AM) Australian business (now Tyndall Asset Management), with Nikko AM taking a 20% equity stake in the combined entity. This partnership enables Nikko AM's global business to gain access to Yarra's investment products, with Yarra assuming responsibility for the distribution of Nikko AM's global suite of products in the Australian market.

As at 31 January 2026, Yarra managed approximately \$A 21 billion firmwide.

As at 31 January 2026, Yarra managed \$A 3.2 billion in the strategy, including \$A 120 million in the Fund.

Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Dion Hershan	Head of Australian Equities	21	19	Melbourne, Australia
Edward Waller	Deputy Portfolio Manager	19	19	Melbourne, Australia

Yarra's Melbourne-based equities investment team is led by Dion Hershan. Hershan is directly supported in the management of the team by Katie Hudson. Hershan and Edward Waller are responsible for the management of the Fund.

Prior to co-founding Yarra, Hershan was Head of Australian Equities at GSAM, where he was responsible for a number of Australian equities strategies. Previously, Hershan gained investment management experience at Citadel Investment Group and Fidelity Investments. Zenith believes Hershan is a capable investor with the requisite experience to successfully manage the Fund. In addition, Zenith notes that Hershan relinquished his managing director duties for the business in August 2021, which we view positively as it allows him to predominantly focus on investments.

Waller, who is responsible for assisting Hershan in the research and portfolio construction process, joined Yarra following the management buyout of GSAM. Zenith believes Hershan and Waller have complementary skill sets, having worked together for an extended period of time.

All members of the investment team have research responsibilities divided across sector lines. In addition, Zenith notes that the investment team has broader research coverage across the market cap spectrum.

The team also leverages the experience and expertise of Tim Toohey, Head of Macro and Strategy, and Yarra's fixed income team in order to gain a full understanding of factors that may impact company fundamentals. Zenith believes this resource is advantageous, given the insights it can provide on macroeconomic conditions.

Team interaction occurs frequently, with the investment team meeting on a daily basis to facilitate discussions regarding the broader economy as well as individual securities. Hershan and Hudson collaborate with the investment team throughout the research process, meeting with the analysts on a weekly basis. Portfolio meetings are held fortnightly, at which time stock attribution and overall risk exposures are discussed.

Yarra's remuneration structure comprises a base salary and performance bonus. Bonuses are discretionary in nature and are determined primarily following an assessment of fund performance, analyst stock calls and broader team contribution. Bonuses are paid in cash up to a predefined threshold, above which the balance is vested over three years to assist in staff retention. In addition, Zenith notes that the majority of the investment team holds equity in the business.

Zenith views the investment team's experience and stability favourably.

About the sector

Sector characteristics

The Zenith 'Australian Shares – Mid Cap' sub-asset class consists of long-only strategies investing in the Australian equity market's mid capitalisation (mid-cap) spectrum. Companies that fall between the S&P/ASX 51 and S&P/ASX 100 are considered mid-cap companies. This is a relatively small, although quite competitive, sector of the investment landscape. In this sector, Zenith notes that there are large variations between strategies and their investment universes/mandates. Over the longer term, active management has historically demonstrated an ability to outperform a passive index in this sector.

Zenith benchmarks all funds in this sector against the S&P/ASX MidCap 50 Index. However, investors should be aware that strategies in this sector can have a varying allocation to the small companies universe i.e. ex-S&P/ASX 100 stocks. The S&P/ASX MidCap 50 Index is market-capitalisation weighted, resulting in those companies with the largest market capitalisations receiving the heaviest weighting.

The Australian equities asset class, as represented by the S&P/ASX 300 Index, is highly concentrated and narrow. As at 31 January 2026, the Financials and Materials sectors represented a significant portion of the S&P/ASX 300 Index, with the Financials sector accounting for approximately 34% and Materials approximately 19%. In addition, the top 10 stocks represented approximately 47% and the top 20 stocks represented approximately 61%.

The S&P/ASX MidCap 50 Index is less concentrated than the S&P/ASX 300 Index. As at 31 January 2026, the Industrials and Materials sectors represented 20% and 16% respectively in the



S&P/ASX MidCap 50 Index, with the top 10 stocks totalling 33% and the top 20 stocks totalling 57%.

Sector risks

Products within the 'Australian Shares – Mid Cap Companies' sub-asset class are exposed to the following broad risks:

Market and economic risk: A sustained downturn across the Australian equity market is a risk to the absolute performance of funds in the sector. Additionally, changes in economic, social, technological or political conditions, as well as market sentiment, could also lead to negative fund performance. This risk can be significantly reduced by investors adhering to a fund's prescribed investment timeframe.

Specific security risk: This is the risk associated with an individual security. The price of common shares in a company may be affected by unexpected changes in company operations such as changes in management or the loss of a significant customer.

Concentration risk: Many mid-cap strategies tend to be concentrated and high conviction, with relatively flexible risk management constraints. Performance may diverge from the index and competitors over the short term.

Liquidity risk: This is the risk that a security or asset cannot be traded promptly, due to insufficient trading volumes in the Australian equity market. When trading volumes are low, buyers/sellers can significantly impact the price of a security when entering or exiting a position.

Style bias risk: Australian equity managers employ different investment styles such as Growth, Value or Neutral (a combination of Value and Growth). Each style is conducive to certain market conditions. This risk can be significantly reduced by investors adhering to a fund's prescribed investment timeframe.

Capacity risk: High levels of funds under management (FUM) can present additional challenges to an Australian equity manager. High FUM has the potential to restrict a manager's ability to trade efficiently and/or be forced to disclose substantial shareholdings to the market (most common in smaller companies).

Regulatory risk: All investments carry the risk of being affected by changes to government policies, regulations and laws. Security prices in which funds may have exposure are also subject to certain risks arising from government intervention in the Australian equity market. Such regulation or intervention could adversely affect fund performance.

Administration and operations

Responsible Entity	Yarra Funds Management Limited
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Zenith rating

Report certification

Date of issue: 26 Feb 2026

Role	Analyst	Title
Analyst	Jock Allen	Senior Investment Analyst
Sector Lead	Stephen Colwell	Deputy Head of Equities

Association & relationship

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Rating history

As At	Rating
26 Feb 2026	Recommended
27 Feb 2025	Recommended
27 Feb 2024	Approved
01 Mar 2023	Approved
24 Feb 2022	Approved
15 Mar 2021	Approved
25 Feb 2021	Approved

Last 5 years only displayed. Longer histories available on request.

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.



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