

Yarra Australian Smaller Companies Fund

Gross returns as at 31 March 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception* % p.a.
Yarra Australian Smaller Companies Fund	-13.11	-16.04	2.42	5.88	4.71	7.75
S&P/ASX Small Ordinaries Accumulation Index	-10.96	-10.87	13.65	8.49	3.99	5.85
Excess return (before fees) †	-2.15	-5.17	-11.24	-2.61	0.72	1.90

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 March 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception* % p.a.
Yarra Australian Smaller Companies Fund	-13.18	-16.21	1.56	4.99	3.82	6.84
S&P/ASX Small Ordinaries Accumulation Index	-10.96	-10.87	13.65	8.49	3.99	5.85
Excess return (after fees) †	-2.21	-5.34	-12.10	-3.50	-0.17	0.99

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 fell during the first quarter of 2026.

The S&P/ASX Small Ordinaries Accumulation Index returned -10.9% for the quarter, taking its 12-month return to +13.7%. The broader S&P/ASX 300 Accumulation Index returned -2.0%, whilst globally, the MSCI World Index delivered -3.2% for the quarter.

Energy (+19.7%) was the only contributor to returns, supported by strong gains across coal and selected energy names. Yancoal Australia (YAL, +69.7%) and New Hope Corporation (NHC, +48.1%) were standout contributors.

The remaining sectors detracted, with Materials (-9.4%) being the largest drag on returns, reflecting broad-based weakness across metals and mining stocks. Capstone Copper (CSC, -31.9%), Regis Resources (RRL, -16.5%) and Westgold Resources (WGX, -17.9%) detracted materially. These declines were only partially offset by strength in select names, including Alcoa (AAI, +16.6%) and Iluka Resources (ILU, +14.5%).

Consumer Discretionary, (-24.5%) also detracted significantly as weakness across retail, leisure and consumer services persisted. Harvey Norman (HVN, -29.0%), ARB Corporation (ARB, -33.6%) and Flight Centre (FLT, -28.2%) were notable underperformers, alongside sharp declines in WEB Travel Group (WEB, -45.4%) and Temple & Webster (TPW, -48.1%).

Financials (-16.2%) weighed on returns, driven by weakness across consumer finance and capital markets. Zip Co (ZIP, -52.9%) was a significant detractor, alongside MA Financial Group (MAF, -34.5%) and Perpetual (PPT, -11.9%).

Industrials (-8.7%) detracted, with Reliance Worldwide (RWC, -20.3%) and Austal (ASB, -28.7%) retreating, while DroneShield (DRO, +23.7%) provided a partial offset.

Information Technology (-20.8%) was a meaningful drag, reflecting continued pressure on growth stocks and ongoing concerns about the risks from AI disruption. Megaport (MP1, -40.4%), SiteMinder (SDR, -53.0%) and IRESS (IRE, -16.5%) detracted materially over the quarter.

Real Estate (-9.8%) detracted modestly as listed property weakened. Centuria Capital Group (CNI, -21.5%) and Ingenia Communities (INA, -22.2%) were notable detractors, while PEXA Group (PXA, +13.3%) provided some offset.

Portfolio review

Key Contributors

Imdex (IMD, overweight) – the mining technology company outperformed during the period driven by strong financial performance and supportive industry conditions including higher gold and copper prices. The 1H26 results were strong with revenue increasing +16% (y/y) and EBITDA +22% (y/y) with a continued positive outlook. Our positive view on IMD is

underpinned by the company having a significant global market share opportunity across its portfolio of market-leading mining technologies.

Sims Group (SGM, overweight) – the scrap steel producer outperformed during the quarter, aided by a strong full year result and compelling near-term earnings guidance for the company's cloud computing recycling business SLS. In addition, US scrap prices rose by 13% and Turkish scrap steel prices increased 9% across the quarter. The company's strategy to focus on margin over volumes in traditional metals recycling is delivering solid results, while the SLS business will continue to grow volumes in our view. Longer term we see upside for scrap demand given its use in lower emissions Electric Arc Furnace steel making operations.

News Corporation (NWS, overweight) – the global media and information services company was a positive contributor to portfolio performance over the period. We initiated a position partway through the period after the stock had sold off by 20%, recognizing its core Dow Jones business as a content creator and therefore having on balance, more opportunities than threats from AI. Further we viewed the entry point into REA Group, which accounts for 60% of the company's valuation, as attractive for a very high quality business, where again we believe the threat of disruption has been overstated. Subsequent to initiating a position the stock has outperformed.

Key Detractors

Megaport (MP1, overweight) – the global software defined network provider underperformed during the period consistent with the broader underperformance of the technology sector. The underperformance of MP1 could also be partly explained by the negative consensus earnings revisions from currency adjustments and lower than expected earnings in the recently acquired Latitude business. We remain positive on MP1 within the core global software defined network business given accelerating demand supported by cloud and AI growth with upside from new products and improving go to market execution.

Zip Co (ZIP, overweight) – the buy now pay later (BNPL) company sold off sharply during the period, after a modestly underwhelming 1H26 result and downgrade to full year EBITDA guidance largely due to unfavourable exchange rate movements. A recent uptick in loss rates was another key point of concern from the result, however we feel this concern is misplaced given the seasoning profile of BNPL growth.

Capstone Copper (CSC, overweight) – the copper producer underperformed during the March quarter as copper prices declined by 2% on Iran war-related impacts. The company released its December quarter financial results during the period, with medium-term production commentary soft relative to market expectations. We maintain a positive view on CSC due to its pure-play leverage to attractive copper markets coupled with the potential to nearly double production by decade end.

Market Outlook

Australian equity markets reversed course in March 2026, giving back all of the calendar year gains as the escalation in Middle East hostilities drove a sharp risk-off move and reignited inflation concerns via higher energy prices. The S&P/ASX 200 Accumulation Index fell 7.8% over the month, its weakest monthly result since early 2022, after having reached a fresh record high in February. Losses were broad-based, with resources and cyclical particularly pressured as commodity prices and growth expectations became more volatile.

Global equities also weakened in March as markets repriced the risk of a more persistent energy shock and reduced expectations for near-term policy easing. Major US indices ended the month lower (the S&P 500 Index fell -4.6% in March), while other developed markets also declined. For Australian-based unhedged investors, currency moves remained an important driver of realised returns, with the 3% decline in the Australian dollar during the month mitigating the 6.4% decline in global equities to a 3.4% for unhedged investors.

Bond markets shifted meaningfully in March as investors reassessed the inflation outlook in response to the energy shock and associated supply disruptions. While outcomes varied across yield curves, the dominant theme was upward pressure on yields and a rotation towards inflation protection. Global bonds returned -3.4% in March and -6.75% over the March quarter. Australian fixed income fare better relatively, returning -1.4% in the month.

Commodity markets were led by oil, with Brent trading above US\$100/bbl at points during the month amid disruption fears around the Strait of Hormuz, while gold prices declined on higher interest rates. The energy heavy Goldman Sachs Commodity Index, which commenced in 1995, returned a record monthly gain of 24.5% in March. In contrast, gold prices fell 11.6%.

Looking forward, headlines around the Iran conflict and the path of oil prices are likely to remain the key drivers of near-term market direction. Beyond geopolitics, tighter financial conditions are increasingly exposing pockets of leverage and liquidity risk (including in parts of private credit), while the rapid adoption of AI continues to create both disruption risk and new capex opportunities across sectors. From Australia's perspective, the direct inflation impulse from higher crude prices still primarily comes through retail fuel; however, the broader second-round impact depends on how long energy prices stay elevated and whether higher import costs flow into services inflation. Australia's LNG export exposure provides a partial offset at the national income level, even as higher petrol prices weigh on households.

Domestically, attention remains on the interaction between firmer-than-expected growth momentum and the Reserve Bank of Australia's (RBA's) desire to ensure inflation returns sustainably to target following February's 25bp rate increase. March's energy-driven volatility has increased uncertainty around the inflation outlook, even as much of Australia's recent price pressure has remained sector-specific and expected to moderate. We acknowledge that further hikes

remain a risk if inflation expectations lift or labour market conditions re-tighten, however, we believe economic momentum peaked in November 2025 and the Australian economy was already slowing ahead of the Iran conflict and the subsequent sharp fall in consumer confidence.

For markets, the June quarter may remain volatile as investors weigh geopolitical risks against earnings delivery and the evolving path of global policy (including the Federal Reserve), with currency moves continuing to play an outsized role in unhedged return outcomes. From our perspective, our base case remains a de-escalation of the Iran conflict, a return to interest rate reduction expectations in the US and lowering of interest rate hiking expectation domestically. As such, we believe that equity markets will rebound materially in April and May, albeit we expect volatility to be key feature of financial markets throughout the remainder of 2026.

We are most overweight stocks in the Financials, Health Care and Communication Services sectors and are underweight Materials, Energy and Consumer Staples.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	5.91	5.38	0.54
Consumer Discretionary	9.80	9.68	0.12
Consumer Staples	1.77	3.08	-1.31
Energy	2.05	8.35	-6.30
Financials	20.38	12.19	8.19
Health Care	7.48	4.66	2.82
Industrials	12.02	13.13	-1.11
Information Technology	5.60	5.50	0.10
Materials	19.35	26.19	-6.84
Real Estate	11.26	11.84	-0.59

Top 3 holdings

	Portfolio %	Benchmark %	Active %
AUB Group	4.36	1.10	3.26
Auckland International Airport	4.18	0.91	3.27
Breville	3.90	0.93	2.97

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
Auckland International Airport	4.18	0.91	3.27
AUB Group	4.36	1.10	3.26
Breville	3.90	0.93	2.97
Underweights			
Paladin Energy	0.00	1.73	-1.73
Ventia	0.00	1.50	-1.50
Alcoa Corporation	0.00	1.44	-1.44

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\$90.0 mn as at 31 March 2026
ARSN code	642 665 263
Estimated management cost	0.85% p.a.
Buy/sell spread	+/- 0.30%

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