YARRA CAPITAL MANAGEMENT

Investment Commentary
Month to 30 April 2026

Yarra Australian Equity Income Fund

Gross returns as at 30 April 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)^	1.42	0.05	14.61	10.70	10.64	10.72	11.47
S&P/ASX 200 Accumulation Index (grossed up for franking credits)	2.19	-0.85	11.27	10.92	9.76	10.76	10.96
Excess return (before fees)‡	-0.77	0.90	3.35	-0.22	0.87	-0.04	0.51

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 30 April 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^	1.34	-0.62	12.20	8.18	7.76	7.82	8.56
Yarra Australian Equity Income Fund Yield (grossed up Dividend Yield)			7.04	7.16	8.20	8.38	8.49
S&P/ASX 200 Accumulation Index Yield (grossed up Dividend Yield)			4.31	4.78	5.23	5.31	5.65
Excess yield‡‡			2.73	2.38	2.97	3.07	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 April. Markets rebounded in April as renewed AI related optimism outweighed concerns around the closure of the Strait of Hormuz and effects of the Iran conflict. However, returns towards the latter end of the month were subdued by concerns around sustained inflation and a possible rate hike by the Reserve Bank of Australia.

The S&P/ASX 200 Accumulation Index returned +2.2% for the month, taking its 12-month return to +10.1%. The broader S&P/ASX 300 Accumulation Index returned +2.2%, whilst globally, the MSCI World Index delivered +8.9% for the month.

Financials (+2.9%) was the largest contributor, supported by capital markets and insurance strength. Banks also rose on expectations of sustained net interest margins. Macquarie Group (MQG, +16.4%) and ASX (ASX, +16.3%) were standout performers, alongside gains in Commonwealth Bank of Australia (CBA, +3.6%). Zip Co (ZIP, +56.8%) also rose strongly.

Materials (+4.3%) also contributed, led by BHP Group (BHP, +6.6%). Mineral Resources (MIN, +18.8%). BlueScope Steel (BSL, +15.8%) also performed well.

Information Technology (+13.3%) delivered strong gains, with AI enthusiasm driven strength in data centres and software. NextDC (NXT, +27.8%), Codan (CDA, +33.3%) and WiseTech Global (WTC, +12.4%) were the key contributors. NextDC rose following a large contract win while Codan rose on another update to guidance.

Real Estate (+8.1%) also supported returns, led primarily by Goodman Group (GMG, +15.8%) which rose strongly on renewed positive sentiment on data centres. Scentre Group (SCG, +11.8%) also performed well.

Health Care (-8.7%) was the largest detractor during the period driven largely by Cochlear (COH, -44.4%) following a guidance cut. CSL (CSL, -11.7%) and ResMed (RMD, -7.4%) also declined.

Consumer Staples (-4.1%) detracted, driven by declines in Woolworths (WOW, -5.6%) and a2 Milk (A2M, -26.0%), partly offset by strong gains in Treasury Wine Estates (TWE, +16.7%).

Portfolio review

Key Contributors

Transurban Group (TCL, underweight) – toll road operator Transurban outperformed in the latter part of the month following the release of March quarter traffic data. We initiated a position just prior to the release. TCL had sold off following the outbreak of the Iran war on concerns around traffic resilience in the face of rising fuel prices. Whilst March numbers showed some softness, toll roads are by their nature highly resilient and longer-term TCL will benefit from the compounding nature of higher near-term inflation through future revenues.

Cochlear (COH, underweight) –the share price of the global leader in implantable hearing solutions came under significant pressure following an earnings downgrade release. The downgrade was primarily driven by a rapid slowdown in developed market demand for cochlear implants, causing a deceleration in group sales to around 4% in 2H26, compared to an expectation of appropriately 10% (2H26 group NPAT expectations cut around 50%). The headwinds are unlikely to be all cyclical, creating doubt around the pathway for COH to return to a DD growth company, and subsequently saw a material PE de-rate occur along with the lower earnings.

Car Group (CAR, overweight) – the stock rose during the month after hitting multi year lows in the prior month on AI disruption concerns and weaker sentiment following the outbreak of the Iran war. There is no evidence of disruption to market leading online marketplaces from online search anywhere globally to date (if anything, AI is more likely to act as a source of leads to online marketplaces) and we view CAR's now discounted valuation of 14.0 times FY27 EBITDA as more than capturing this risk.

Key Detractors

Goodman Group (GMG, underweight) – Goodman Group (GMG, underweight) – an underweight position in the industrial and data centre exposed property owner, developer and manager detracted from returns over the period. GMG's share price was supported following the announcement of a JV with DataBank in the USA (LAX01). While the deal helps to de-risk earning, we note deal earnings were likely already embedded in expectations, rather than being incremental. Within the data centre space, we see preferred exposure via NextDC, which was also well supported in the period following news of a new contract.

Woodside (WDS, overweight) – the oil and gas producer underperformed during April. While oil prices rose (Brent: +4.9%), spot LNG prices fell from recent elevated levels (e.g. JKM, -17.3%), Woodside's production is more levered to LNG than oil. Movements in oil and gas prices remain highly volatile and newsflow driven on developments in the Middle East and Straits of Hormuz. We remain attracted to the WDS' strong growth profile from new projects that remain on budget and its schedule to increase production by more than 30% over the next two years.

ResMed (RMD, overweight) – shares in the global leader of sleep apnea treatment softened over the period. The driver of this performance is more likely to be linked to the growth in weight loss drugs (GLP-1's) and the prospect of a return of one of their competitors in the US marketplace. While growth in GLP-1 adoption to-date has been associated with accelerating RMD sales, the market continues to view this trend as a risk, rather than an opportunity to accelerate market penetration. Given the substantial market potential, operational leverage, and compelling valuation (FY26 P/E below 20.0 times), we maintain our overweight recommendation.

Market outlook

Australian equity markets rebounded in April 2026, stabilising after March's sharp sell-off as investors looked through ongoing volatility in the Middle East and refocused on earnings delivery and the AI capex cycle. The S&P/ASX 200 Index rose 2.2% over the month, recouping a portion of March's losses, with leadership concentrated in growth/technology and domestically-oriented defensives while energy and parts of resources lagged as oil price volatility eased from early-month extremes.

Global equities staged a powerful recovery in April as strong US corporate results and renewed enthusiasm for AI-related investment outweighed lingering geopolitical concerns. The S&P 500 Index surged 10.5% for the month, with broader risk appetite improving across developed and emerging markets. For Australian-based unhedged investors, currency moves again mattered: the Australian dollar strengthened versus the US dollar over April (reducing the translation benefit from offshore equities), partially offsetting the strong increase in global equity prices within unhedged return outcomes.

Bond markets steadied in April as the inflation impulse from the Middle East energy shock became better understood and risk sentiment improved. Global fixed income posted a modestly positive month (the Bloomberg Global Aggregate was up around 1.2%), supported by tighter credit spreads even as headline inflation risks remained elevated. Commodity performance remained energy-led: Brent crude was highly volatile but stayed elevated on continued disruption risk around the Strait of Hormuz, while gold eased modestly over the month (down ~1.1%) after March's sharp drawdown.

Looking forward, the trajectory of the Iran conflict and the path of oil and freight markets remain the key swing factors for near-term risk pricing. April's rally highlighted markets' willingness to look through uncertainty when earnings and liquidity conditions are supportive; however, with the Strait of Hormuz still a focal point for supply disruption risk, the probability of renewed inflation volatility remains material.

Domestically, the Reserve Bank of Australia's (RBA) May decision delivered a further 25bp increase in the cash rate target to 4.35%, with the Board emphasising that inflation risks remain tilted to the upside, and a further rate hike cannot be ruled out. The Statement on Monetary Policy placed particular weight on the inflation impulse from higher fuel and related commodity prices and the risk of second-round pass-through into broader goods and services prices, especially given underlying inflation had already picked up around the start of 2026 amid ongoing capacity pressures. The Board also noted that short-term measures of inflation expectations have risen and judged that inflation is likely to remain above target for some time, warranting a tighter policy stance despite heightened uncertainty around the growth outlook. However, the RBA also observed that financial conditions have tightened further via higher wholesale rates, bond yields and a firmer exchange rate, and noted that financial conditions are now likely restrictive. As demand slows (as we expect in coming months) we expect the RBA will likely remain on hold for the balance of 2026 before easing policy in mid-2027.

For markets, the June quarter is likely to remain volatile as investors weigh geopolitics against earnings delivery and the evolving path of global policy, with currency moves continuing to play an outsized role in unhedged returns. Our base case remains gradual de-escalation in Iran and near-term earnings downgrades in Australia. Against that backdrop, we see scope for further volatility for equity markets through the remainder of the June quarter and September quarter of 2026. More positive sentiment is likely following the end of the earnings downgrade cycle, lower energy prices and the prospect of easier policy in 2027 coming to fruition.

We are most overweight stocks within the Communication Services, Utilities and Financials sectors, and are underweight Consumer Discretionary, Industrials and Information Technology.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	7.05	3.70	3.34
Consumer Discretionary	3.64	6.39	-2.75
Consumer Staples	3.58	3.52	0.06
Energy	4.14	4.80	-0.66
Financials	35.75	34.48	1.27
Health Care	5.95	5.46	0.49
Industrials	4.52	7.13	-2.61
Information Technology	0.00	2.10	-2.10
Materials	24.60	25.03	-0.43
Real Estate	4.92	5.86	-0.95
Utilities	4.32	1.53	2.79

Top 3 holdings

	Portfolio %	Benchmark %	Active %
BHP	14.02	10.36	3.66
Commonwealth Bank of Australia	7.97	11.03	-3.07
Westpac	7.82	5.00	2.82

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
BHP	14.02	10.36	3.66
Westpac	7.82	5.00	2.82
Origin Energy	3.29	0.79	2.50
Underweights			
Wesfarmers	0.00	3.14	-3.14
Commonwealth Bank of Australia	7.97	11.03	-3.07
Goodman	0.00	2.30	-2.30

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	7.24	3.40	2.23	1.46
Distribution return	4.96	4.78	5.53	6.36

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	16.80	4.15
Index	16.59	3.57
Difference	0.21	0.59

* 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$103.5 mn as at 30 April 2026	
APIR code	TYN0038AU	
Estimated management cost	0.80% p.a.	
Buy/sell spread	+/- 0.15%	
Platform availability	Hub24 Insignia Expand	Netwealth

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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