

Yarra Australian Smaller Companies Fund

Gross returns as at 31 May 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception* % p.a.
Yarra Australian Smaller Companies Fund	4.62	-3.14	8.11	9.48	5.81	9.57
S&P/ASX Small Ordinaries Accumulation Index	2.03	-6.13	11.25	10.63	4.02	6.65
Excess return (before fees) †	2.60	2.99	-3.13	-1.15	1.79	2.92

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 May 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception* % p.a.
Yarra Australian Smaller Companies Fund	4.55	-3.35	7.20	8.56	4.92	8.64
S&P/ASX Small Ordinaries Accumulation Index	2.03	-6.13	11.25	10.63	4.02	6.65
Excess return (after fees) †	2.52	2.78	-4.04	-2.07	0.89	1.99

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 rose modestly during the month of May.

The S&P/ASX Small Ordinaries Accumulation Index returned +2.0% for the month, taking its 12-month return to +11.2%. The broader S&P/ASX 300 Accumulation Index returned +1.2%, whilst globally, the MSCI World Index delivered +4.8% for the month.

Materials (+5.4%) was the largest contributor on commodity price strength, with strong gains in Sims (SGM, +29.7%), Capstone Copper (CSC, +30.0%) and IperionX (IPX, +42.2%) while Predictive Discovery (PDI, -20.0%) and Arafura Rare Earths (ARU, -26.4%) both detracted.

Industrials (+9.6%) also contributed strongly, driven by Ventia Services Group (VNT, +17.2%), NRW Holdings (NWH, +24.7%) and Monadelphous Group (MND, +11.1%).

Information Technology (+12.9%) added significantly, with substantial gains in Megaport (MP1, +69.4%) and Weebit Nano (WBT, +70.6%). Megaport's rally followed its announcement of significant contract wins.

Energy (-6.2%) was also weaker, driven by declines in Viva Energy (VEA, -13.8%), Deep Yellow (DYL, -11.5%) and Yancoal Australia (YAL, -11.4%), partially offset by gains in New Hope Corporation (NHC, +6.6%).

Communication Services (-6.4%) declined sharply, led by Tuas (TUA, -65.0%).

Consumer Discretionary (-3.4%) weakened, reflecting losses in Tabcorp Holdings (TAH, -31.6%) and IDP Education (IEL, -32.2%).

Real Estate (-2.3%) detracted modestly, with weakness in Lendlease Group (LLC, -18.8%) and PEXA Group (PXA, -14.7%).

Consumer Staples (-4.5%) fell, driven by declines in Elders (ELD, -19.7%) and GrainCorp (GNC, -20.2%).

Financials (-0.2%) was broadly flat, with strong gains in Infratil (IFT, +28.8%) and HMC Capital (HMC, +22.9%) offset by declines in Netwealth Group (NWL, -9.3%) and Magellan Financial Group (MFG, -17.2%).

Portfolio review

Key Contributors

Megaport (MP1, overweight) – the global compute and software defined network provider outperformed during the period supported by continued new customer additions. The global compute division won a number of new large clients (total contract value \$289m) during the period supported by increasing AI-driven demand. We remain positive on the outlook for MP1 across both the global compute and software defined networks, with strong market growth from AI as well

as cloud and improving market share supported by new products and an enhanced go-to-market strategy.

Capstone Copper (CSC, overweight) – the copper producer outperformed during May as copper prices increased by 6% to close at US\$6.26/lb on continued strong demand led by EVs and data centres. 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.

Sims (SGM, overweight) – the scrap steel producer outperformed during May, as US and international (Turkey) scrap prices rose on supply and freight challenges associated with the Iran conflict. We are attracted to improving fundamentals in the scrap metals industry, particularly given the impacts of US tariffs on steel and copper imports, a positive for SGM's US domestic recycling businesses. SLS, the company's computing recycling business, is now growing strongly and will continue to drive earnings higher in our view. Longer term we see upside for scrap demand given its use in lower emissions Electric Arc Furnace steel making operations.

Key Detractors

Gentrack Group (GTK, overweight) – the utilities and airport software company underperformed during the period after the company downgraded its FY26 outlook. The downgrade reflected delayed new customer additions to the utilities division and the decision to retain the existing cost base to support future growth. We retain a small position in GTK which offers significant valuation upside. This is supported by the airport software division's continued strong performance and market leading position, the utilities division's significantly depressed earnings and growth expectations, hidden value in the loss-making Amber business and a net cash balance sheet.

Chryso Corporation (C79, overweight) – the gold testing company underperformed during the period on slower-than-expected deployments of new units. We view the deployments trend as a timing issue given the accelerating signing of new customer contracts. Our positive C79 view is underpinned by the company having achieved only 5% market penetration in a global market in which it is a clear leader. The 1H26 results were strong, with revenue increasing +49% (y/y), EBITDA +152% (y/y) and a continued positive outlook.

Netwealth Group (NWL, overweight) – the leading independent wealth management platform underperformed during the month on limited news flow. NWL has seen consistently strong flows, which we expect to continue given their market leading position (along with HUB24) and continued investment in new products. Whilst NWL's headline multiple of 36 times FY27 earnings is relatively high, the high visibility on revenue and revenue growth will see this multiple collapse quickly whilst generating strong free cash flows.

Market Outlook

Australian equity markets rose modestly in May, with the domestic market lagging the stronger AI-led rally offshore.

Global equities extended their recovery in May as strong earnings, continued enthusiasm around AI capital expenditure and easing concern about a prolonged disruption in the Middle East supported risk appetite. The S&P 500 Index rose 5.3% over the month and the MSCI World Index gained around 4.6% in US dollar terms, with leadership again concentrated in US technology and Asian AI supply-chain exposures. For Australian-based unhedged investors, the stronger US dollar modestly supported offshore returns, although currency effects were less dominant than the rise in underlying equity prices.

Bond markets were volatile through the month but finished with modest gains as yields rose sharply mid-month on inflation concerns before retracing as oil prices fell and geopolitical risks appeared to ease. The Bloomberg Global Aggregate Index rose around 0.3% over the month, while credit markets remained constructive as spreads tightened.

Commodity markets were notable for a sharp reversal in energy: Brent crude fell roughly 19% over May, its steepest monthly decline since 2020, although it remained elevated relative to pre-conflict levels. Gold also edged lower over the month as safe-haven demand moderated alongside improved risk sentiment.

The key themes for May were the persistence of AI-led earnings optimism, a broad market willingness to look through geopolitical risk provided energy prices were easing, and ongoing sensitivity in bond markets to inflation surprises. The late-month fall in oil materially reduced tail-risk around the global inflation outlook, but markets remain vulnerable to renewed volatility if energy prices re-accelerate or if higher input costs continue to broaden into core inflation. A second theme was the still-narrow nature of leadership, with a relatively concentrated set of technology and AI-exposed names continuing to drive a large share of offshore equity gains.

Domestically, the key economic data released over the past four weeks have painted a softer growth picture but one with still-mixed inflation signals. The RBA lifted the cash rate by 25bp to 4.35% at its 5 May meeting, citing still-elevated inflation, higher fuel and commodity prices, and the risk of broader second-round effects. Since then, the flow of data has been more nuanced. Wage growth remained moderate at 3.4%, April CPI eased to 4.2% (y/y) from 4.6% in March, but trimmed mean inflation edged up to 3.4%, suggesting underlying price pressures remain sticky.

Australia's labour market has softened gradually, with the unemployment rate around the mid-4% range, while forward indicators have become more mixed. Activity data have also been uneven: monthly spending indicators and retail-related measures point to sluggish household demand, business profits declined in the March quarter, and Q1 GDP growth printed at 0.3% (q/q), below expectations, with domestic

demand losing momentum and net exports detracting materially from growth.

For markets, the near-term picture remains one of strong offshore equity momentum alongside a weakening domestic growth pulse. Our base case is that easing oil prices reduce the immediate upside risk to global inflation, but not enough to fully remove central bank caution, particularly given sticky underlying inflation in Australia and still-fragile global supply conditions. In Australia, the softer run of activity data released over the past month strengthens the case that policy is now meaningfully restrictive, even as the RBA remains alert to inflation persistence.

Against that backdrop, we continue to expect a period of elevated cross-asset volatility through 3Q26, with markets likely to remain highly sensitive to inflation data, energy prices and signs of whether the current AI-led earnings cycle can continue to broaden beyond a narrow set of sectors and stocks.

We are most overweight stocks in the Financials, Health Care and Real Estate sectors, and are underweight Materials, Energy and Industrials.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	4.70	4.97	-0.27
Consumer Discretionary	9.49	8.95	0.54
Consumer Staples	1.91	2.78	-0.87
Energy	2.85	7.42	-4.57
Financials	20.95	11.34	9.61
Health Care	6.30	4.19	2.11
Industrials	11.17	14.32	-3.15
Information Technology	6.44	6.87	-0.43
Materials	19.53	28.90	-9.37
Real Estate	11.03	10.25	0.78

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Sims	4.36	1.45	2.91
Capstone Copper	4.08	0.99	3.09
Auckland International Airport	3.92	0.91	3.02

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
Cuscal	3.20	0.00	3.20
Capstone Copper	4.08	0.99	3.09
Auckland International Airport	3.92	0.91	3.02
Underweights			
Liontown	0.00	1.86	-1.86
Ventia	0.00	1.73	-1.73
Paladin Energy	0.00	1.71	-1.71

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\$100.2 mn as at 31 May 2026
ARSN code	642 665 263
Estimated management cost	0.85% p.a.
Buy/sell spread	+/- 0.30%

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