Investment Commentary
Month to 31 May 2026

Yarra Ex-20 Australian Equities Fund

Gross returns as at 31 May 2026

	From 25 June 2018^	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.*
Yarra Ex-20 Australian Equities Fund	5.95	-0.49	-7.83	-1.93	5.90	7.36	6.84	7.57
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.61	1.65	-6.31	0.80	7.98	6.12	N/A	N/A
Excess return (before fees)‡	-0.66	-2.15	-1.52	-2.73	-2.08	1.24	N/A	N/A

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

	From 25 June 2018^	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.*
Yarra Ex-20 Australian Equities Fund	5.00	-0.57	-8.04	-2.81	4.95	6.40	5.80	6.40
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.61	1.65	-6.31	0.80	7.98	6.12	N/A	N/A
Excess return (after fees)‡	-1.62	-2.22	-1.73	-3.60	-3.02	0.29	N/A	N/A

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.

^ **Effective 25 June 2018 the Fund's investment strategy, name and benchmark was changed. Performance prior to 25 July 2018 is provided here for consistency purposes only – the historical performance data shown relates to the previous strategy and should not be used to assess past or future performance of the Fund. Performance data relating to the previous strategy is available upon request. 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 Ex-20 Australian Equities Fund: August 2010.

The benchmark for the Yarra Ex-20 Australian Equities Fund has been amended since the Fund's inception. Effective 25 July 2018, the benchmark is the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index, replacing the S&P/ASX 300 Accumulation Index.

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

Market review

The Australian equities market rose modestly during the month of May. Markets continued to rise in May following an increase in April as AI related optimism continued.

The S&P/ASX 300 Ex-20 Accumulation Index returned +1.7% for the month, taking its 12-month return to +0.8%. The broader S&P/ASX 300 Accumulation Index returned +1.2%, whilst globally, the MSCI World Index delivered +4.8% for the month.

Materials (+6.6%) was the largest contributor on commodity price strength with strong gains in South32 (S32, +19.4%), IGO (IGO, +28.9%), Sandfire Resources (SFR, +20.4%) and Capricorn Metals (CMM, +24.5%), while Regis Resources (RRL, -11.6%) detracted.

Industrials (+8.6%) also contributed strongly, driven by Computershare (CPU, +14.6%), Ventia Services Group (VNT, +17.2%) and NRW Holdings (NWH, +24.7%).

Information Technology (+2.0%) added to performance, with significant gains in Megaport (MP1, +69.4%), Weebit Nano (WBT, +70.6%) and NextDC (NXT, +7.0%), partially offset by declines in WiseTech Global (WTC, -15.7%). Megaport's rally followed its announcement of significant contract wins.

Utilities (-7.6%) was the largest detractor, reflecting declines in Origin Energy (ORG, -10.2%), AGL Energy (AGL, -10.6%) and APA Group (APA, -2.5%).

Communication Services (-7.1%) also detracted, driven by sharp falls in Tuas (TUA, -65.0%), REA Group (REA, -12.3%) and Seek (SEK, -10.3%).

Energy (-3.4%) weakened, with declines in Santos (STO, -2.4%), Viva Energy (VEA, -13.8%) and Beach Energy (BPT, -8.1%)

Consumer Staples (-8.0%) fell, impacted by a2 Milk (A2M, -24.2%), GrainCorp (GNC, -20.2%) and Endeavour Group (EDV, -14.0%).

Consumer Discretionary (-3.1%) also declined, reflecting weakness in Tabcorp Holdings (TAH, -31.6%), IDP Education (IEL, -32.2%) and Eagers Automotive (APE, -13.0%).

Portfolio review

Key Contributors

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.

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.

Dyno Nobel (DNL, overweight) – our overweight position in DNL added value over the period following the release of a strong set of 1H26 results including further evidence that the company is executing well on its stated longer-term plan of becoming a higher returning and more focused pure-play explosive company. In terms of the 1H26 result, Explosives EBIT was a standout coming in around 20% above consensus. Moving forward, DNL announced it will look to debottleneck its three AN plants, which could lift capacity ~10% across the network. Not formally upgrading the full-year FY26 EBIT outlook would appear conservative given the favourable industry backdrop and the modest implied 2H earnings skew.

Key Detractors

Tabcorp Holdings (TAH, overweight) – the wagering operator underperformed during the period following the disclosure of an AUSTRAC compliance assessment and enforcement action. Although the scope and details are yet to be disclosed, the focus is expected to be on its retail operations which carries inherent AML/CTF risk as a cash business reliant on third-party controls. In our view TAH has continued to execute on its turnaround, but performance has been overshadowed by unknown regulatory outcomes which have added operating uncertainty and driven a material de-rate.

Origin Energy (ORG, overweight) – the energy retailer and integrated LNG producer underperformed during the period on limited company specific news flow, with the retreating oil price and lower domestic wholesale electricity price both weighing on the stock. We see positive catalysts and upside ahead for all three of ORG's major assets – Energy Markets, APLNG and Octopus Energy and view the current share price as an attractive entry point.

Northern Star Resources (NST, overweight) – the gold producer underperformed during May as gold prices eased 1%. The company's aging Fimiston mill at the Superpit operations struggled to maintain consistent performance ahead of the completion of an expanded replacement mill which is due online in the September quarter. Despite a series of near-term headwinds, we continue to maintain a constructive outlook on the company's operations. We believe that Northern Star has the most robust organic production growth profile in the gold sector.

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 within the Communication Services, Utilities and Information Technology sectors, and underweight Industrials, Financials and Real Estate.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	14.11	3.42	10.69
Consumer Discretionary	4.45	5.71	-1.27
Consumer Staples	2.57	2.21	0.36
Energy	2.90	5.93	-3.04
Financials	8.56	13.51	-4.95
Health Care	7.84	8.55	-0.70
Industrials	0.00	12.63	-12.63
Information Technology	9.03	6.14	2.89
Materials	30.12	28.73	1.39
Real Estate	5.91	9.65	-3.74
Utilities	8.98	3.51	5.46

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Origin Energy	5.81	1.77	4.03
NextDC	5.49	1.10	4.40
ResMed	4.56	1.55	3.02

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
NextDC	5.49	1.10	4.40
Origin Energy	5.81	1.77	4.03
Northern Star	3.57	0.00	3.57
Underweights			
South32	0.00	2.04	-2.04
Scentre Group	0.00	1.89	-1.89
PLS Group	0.00	1.87	-1.87

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	-5.45	3.05	4.23	3.36
Distribution return	2.64	1.90	2.18	2.44

The Growth Return is measured by the movement in the Fund's unit price, 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.

Features

Investment objective	To achieve medium-to-long term capital growth through exposure to Australian Securities Exchange listed securities excluding the largest 20 by market capitalisation (as defined by the S&P/ASX 20 Index). In doing so, the aim is to outperform the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index over rolling 3-year periods.
Recommended investment time frame	5 - 7 + years
Fund inception	August 2010
Fund size	A$121.0 mn as at 31 May 2026
APIR code	JBW0052AU
Estimated management cost	0.90% p.a
Buy/sell spread	+/- 0.15%
Platform availability	BT Panorama Praemium Hub24

Applications and contacts

Investment into the Yarra Ex-20 Australian Equities Fund can be made by Australian resident investors only.

Website www.yarracm.com

Investor Services Team 1800 034 494 (Australia) +61 3 9002 1980 (Overseas) IST@yarracm.com