Investment Commentary
Quarter to 30 June 2026

Yarra Australian Equities Fund

Gross returns as at 30 June 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 Equities Fund	-0.70	4.07	4.61	7.57	7.32	8.61	10.25
S&P/ASX 200 Accumulation Index†	0.67	4.05	6.11	10.61	7.76	9.44	9.25
Excess return (before fees)‡	-1.38	0.02	-1.49	-3.04	-0.44	-0.83	1.01

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 30 June 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 Equities Fund	-0.77	3.86	3.78	6.68	6.39	7.64	9.26
S&P/ASX 200 Accumulation Index†	0.67	4.05	6.11	10.61	7.76	9.44	9.25
Excess return (after fees)‡	-1.44	-0.18	-2.33	-3.94	-1.36	-1.80	0.02

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* Inception date Yarra Australian Equities Fund: July 1996

† The benchmark for the Yarra Australian Equities Fund has been amended since the Fund's inception. Effective 28 February 2008 the benchmark is the S&P/ASX 200 Accumulation Index, replacing the S&P/ASX 200 ex Property Accumulation Index Monthly. Further information on changes to the Fund's benchmark is available upon request.

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

Market review

Australian equities advanced over an eventful June quarter. Growing expectations of a ceasefire between Iran and the United States supported sentiment, while the Reserve Bank of Australia (RBA) raised the cash rate in May before leaving it unchanged in June. Persistent inflation, AI-related enthusiasm and tax measures announced in the Federal Budget contributed to volatility and dispersion in sector returns.

The S&P/ASX 200 Accumulation Index returned +4.0% for the quarter, taking its 12-month return to +6.1%. The broader S&P/ASX 300 Accumulation Index returned +4.1% for the quarter, whilst globally, the MSCI World Index delivered +14.0%.

Materials (+7.5%) was the largest contributor, supported by gains in BHP Group (BHP, +17.9%) and Rio Tinto (RIO, +6.9%).

Consumer Discretionary (+19.0%) also contributed strongly, driven by Wesfarmers (WES, +24.0%) and Aristocrat Leisure (ALL, +36.5%).

Real Estate (+12.9%) added meaningfully, led by Goodman Group (GMG, +22.5%) and Scentre Group (SCG, +16.3%).

Financials (+1.7%) contributed positively overall, with strong gains in Macquarie Group (MQG, +26.2%) and QBE Insurance (QBE, +18.7%), partially offset by Westpac (WBC, -9.0%) and National Australia Bank (NAB, -6.7%). Banks softened following a sudden shift in the credit growth outlook following the proposed tax changes in the federal budget.

Industrials (+8.1%) delivered solid gains, with Computershare (CPU, +34.8%) and Qantas Airways (QAN, +26.9%) advancing, while Brambles (BXB, -13.8%) retreated.

Information Technology (+17.0%) was higher, supported by Megaport (MP1, +208.2%) and NextDC (NXT, +30.9%), while WiseTech Global (WTC, -13.2%) declined. Megaport rose following significant contract wins.

Energy (-16.5%) was the largest detractor as oil prices fell following developments in the Middle East, including Woodside Energy Group (WDS, -19.5%) and Santos (STO, -9.4%).

Health Care (-6.0%) weakened, reflecting declines in CSL (CSL, -18.5%) and Cochlear (COH, -28.0%), while Pro Medicus (PME, +74.0%) advanced. CSL fell following another cut to earnings guidance. PME outperformed on US contract wins and renewals.

Communication Services (-4.1%) declined, driven by Telstra Group (TLS, -4.7%) and Tuas (TUA, -62.7%), partially offset by CAR Group (CAR, +13.0%). TUA fell following the collapse of its proposed acquisition of Singapore telecommunications operator M1.

Portfolio review

Key Contributors

Sims (SGM, overweight) – the scrap steel producer outperformed during the June quarter, as recycled cloud computing prices remained elevated, coupled with strong non-ferrous pricing. 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. The company's computing recycling business SLS 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.

NextDC (NXT, overweight) – leading Australian data centre owner and developer NXT outperformed during the quarter after announcing its largest ever contract – a 250MW contract anchoring its S4 data centre with a AAA credit rated hyperscaler. NXT has now grown contracted capacity to 667MW, a 172% increase this financial year, with contracted EBITDA reaching $1bn. The scale of the growth had caused funding challenges for NXT, however multiple sub debt deals and a $1.5bn equity raising now sees the company well-placed to deliver the rapid build out.

Block (XYZ, overweight) – the payments technology company outperformed during the quarter, as payment stocks in general were well supported. XYZ has provided the market with FY26 and FY28 guidance, backed by a broad pipeline of product initiatives. XYZ trades on an appealing cash flow yield of 7.4% which we view as highly attractive for a company growing earnings above 30%.

Key Detractors

Wesfarmers (WES, underweight) – the diversified conglomerate outperformed during the period with no company specific news flow. The company has been benefiting from an improving lithium backdrop, while its core retail offers (Bunnings/Kmart) have historically performed well with a value-led offer against a tightening consumer backdrop. With the company still trading on a premium FY27 P/E multiple of 32.9-times vs 23.2-times the 10-year average, and a modest 2.7% dividend yield, expectations remain high for the stock.

Macquarie Group (MQG, underweight) – the global financial services firm MQG performed strongly during the quarter following the announcement of the sale of the UK meters business which de-risked its 2H26 result and more favourable conditions for its commodities business following the disruption to energy markets caused by the US-Iran war. After a series of downgrades MQG appears to have found a more solid base from which to grow earnings, however we view their 19-times FY27 earnings multiple as full given the low earnings visibility.

Woodside Energy (WDS, overweight) – the oil and gas producer underperformed during the quarter. Oil (Brent: -36%) and spot LNG prices (JKM: -23%) fell from recent elevated levels, as news flow from the Iran conflict improved. We remain attracted to the company's 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.

Market outlook

June delivered modest gains across Australian equities, but the broader message from markets and macro data is that Australia remains firmly in a late-cycle slowdown. The S&P/ASX 200 Index rose 0.7% in June after a 1.1% gain in May, partially recovering from April's sharp fall. The June quarter finished up 4.0%, with annual returns at 6.1%. Small caps were weaker, falling 2.0% in June and leaving calendar-year-to-date returns at -7.9%, a stark contrast to their 25% surge in 2025. The divergence between large and small caps continues to reflect tighter financial conditions and softer domestic growth expectations.

Global equities remained the standout. Unhedged global equities gained 3.1% in June and 13.4% for the quarter, while hedged global equities were down 0.7% in June but up 13.8% for the quarter. The difference was largely explained by currency: the Australian dollar fell 3.7% in June, extending April's 3.1% decline. Despite this, the Australian dollar is still up 5.1% over the year, supported by strong commodity prices, which remain 30.4% higher annually despite a sharp 9.9% fall in June.

Bond markets continue to price a weakening domestic economy. Australian fixed interest returned 1.0% in June and 2.6% for the quarter, despite the RBA holding the cash rate at 4.35%. Global bonds fell 0.7% in June and remain barely positive over the year. REITs posted a 0.8% gain in June but are still down 6.3% annually, reflecting the pressure of higher real rates.

The macro backdrop is increasingly fragile. Real GDP grew just 0.3% in the March quarter, with per-capita GDP falling 0.1%, the first decline since early 2025. Forward indicators point to an ongoing slowdown over the year ahead. Household spending is weakening, business surveys have softened, and labour market momentum is fading. The resilience of the ASX 200 in the June quarter owes more to global equity strength and commodity support than to domestic fundamentals.

Inflation remains the RBA's central challenge. Headline CPI eased to 4.0% in May, but the trimmed mean rose to 3.6%, still above the 2–3% target band. This combination of slowing growth and sticky core inflation has forced the RBA into a holding pattern. The Board's June decision to keep rates at 4.35% underscores its reluctance to ease prematurely. Nevertheless, the RBA is starting to acknowledge downside risks to the economic outlook, restrictive financial conditions, a more balanced labour market, a weaker credit growth outlook post-Budget and declining oil price risks.

The Australian dollar's 3.7% fall in June reflects this tension. While strong commodities and Australia's yield differential have supported the currency over the past year, the near-term outlook is clouded by weaker domestic growth and the prospect of prolonged tight monetary policy. Taken together, June's data and market performance paint a picture of an economy at a late-cycle plateau: supported by global momentum and commodities, but constrained by softening domestic demand, sticky inflation and a cautious central bank. Against that backdrop, we see scope for further volatility for equity markets through the September quarter of 2026. More positive sentiment will likely await the end of the earnings downgrade cycle, more moderate inflation outcomes and the prospect of easier policy in 2027 coming into view.

We are most overweight stocks within the Materials, Communication Services, and Utilities sectors, and are underweight Financials, Real Estate and Consumer Discretionary.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	8.28	3.43	4.85
Consumer Discretionary	3.39	7.25	-3.86
Consumer Staples	1.84	3.85	-2.01
Energy	4.26	4.05	0.20
Financials	20.93	33.30	-12.37
Health Care	5.13	5.54	-0.41
Industrials	4.17	7.44	-3.27
Information Technology	5.80	2.13	3.67
Materials	34.66	25.62	9.04
Real Estate	1.79	5.99	-4.20
Utilities	4.82	1.40	3.42

Top 3 holdings

	Portfolio %	Benchmark %	Active %
BHP Group	14.87	11.31	3.57
Commonwealth Bank of Australia	8.81	10.32	-1.52
Westpac Banking	6.39	4.51	1.88

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
BHP Group	14.87	11.31	3.57
NextDC	3.51	0.42	3.09
Origin Energy	3.36	0.71	2.65
Underweights			
National Australia Bank	0.00	4.35	-4.35
Wesfarmers	0.00	3.85	-3.85
Macquarie Group	0.00	3.32	-3.32

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	-2.77	1.65	0.09	-1.42
Distribution return	6.55	5.02	6.30	9.05

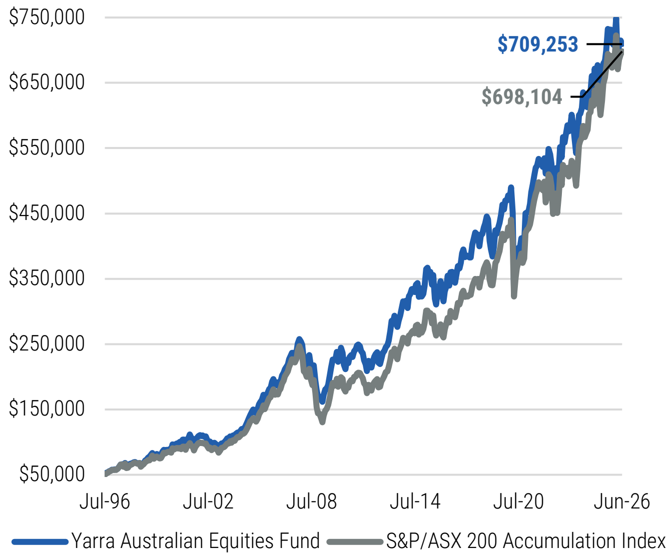
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders by way of income distribution in a 12-month period. It does not include capital distributions.

Features

Investment objective	To achieve medium-to-long term capital growth through exposure to companies listed on the Australian Securities Exchange. In doing so, the aim is to outperform the S&P/ASX 200 Accumulation Index over rolling 3-year periods.	
Recommended investment time frame	5 - 7 + years	
Fund inception	July 1996	
Fund size	A$136.4 mn as at 30 June 2026	
APIR code	JBW0009AU	
Estimated management cost	0.90% p.a.	
Buy/sell spread	+/- 0.15%	
Platform availability	Asgard Ausmaq BT Panorama BT Super Wrap FirstWrap GrowWrap	Hub24 IOOF Pursuit Macquarie Wrap Netwealth Oasis Powerwrap

Investment performance comparison of $50,000

After fees, since inception of the Yarra Australian Equities Fund, July 1996 to June 2026.



For illustrative purposes only. Past performance does not guarantee future results, which may vary. The total net fund returns shown are prepared on an exit to exit basis (i.e. they include all ongoing fees and expenses and assume reinvestment of all distributions). They do not take personal taxation into account. The comparison with the S&P/ASX 200 Accumulation Index is for comparative purposes only. Index returns do not allow for transactional, management, operational or tax costs. An index is not managed and investors cannot invest directly in an index. Note that the minimum initial investment amount for the Yarra Australian Equities Fund is $10,000.

Applications and contacts

Investment into the Yarra Australian Equities Fund can be made by Australian and New Zealand resident investors only.

Website www.yarracm.com

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