Yarra Australian Equity Income 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 Equity Income Fund (grossed up for franking credits)^	0.37	2.48	11.12	11.04	10.02	10.69	11.42
S&P/ASX 200 Accumulation Index (grossed up for franking credits)	0.68	4.18	7.20	11.88	9.16	10.89	10.97
Excess return (before fees)‡	-0.30	-1.70	3.91	-0.85	0.86	-0.20	0.45

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 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 Equity Income Fund^	0.31	2.11	8.85	8.57	7.16	7.81	8.52
Yarra Australian Equity Income Fund Yield (grossed up Dividend Yield)			7.01	7.04	8.18	8.31	8.47
S&P/ASX 200 Accumulation Index Yield (grossed up Dividend Yield)			4.29	4.72	5.22	5.26	5.63
Excess yield‡‡			2.72	2.32	2.96	3.05	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

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 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%, whilst globally, the MSCI World Index delivered +14.0% for the quarter.

Materials (+7.5%) was the largest contributor, supported by gains in BHP Group (BHP, +17.9%), Rio Tinto (RIO, +6.9%) and BlueScope Steel (BSL, +23.9%).

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%) detracted.

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

BHP (BHP, overweight) – our overweight position in the diversified miner was a source of outperformance during the June quarter. Higher copper (+9%) and hard coking coal (+4%) prices more than offset the impact of a 9% decline in the 61% iron ore benchmark. We note BHP's copper earnings exceeded 50% of total EBITDA for the first time during 1H26.

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.

Transurban (TCL, overweight) – the toll road operator Transurban outperformed during the quarter following the release of March quarter traffic numbers. 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.

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.

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 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.

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 level as a compelling total return opportunity with attractive fully franked income.

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 Reserve Bank of Australia (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 Utilities, Communication Services and Materials sector, and are underweight Financials, Consumer Discretionary and Industrials.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	6.10	3.43	2.67
Consumer Discretionary	3.57	7.25	-3.68
Consumer Staples	4.08	3.85	0.23
Energy	4.03	4.05	-0.03
Financials	29.19	33.30	-4.11
Health Care	5.70	5.54	0.16
Industrials	4.99	7.44	-2.44
Information Technology	0.00	2.13	-2.13
Materials	28.05	25.62	2.43
Real Estate	8.37	5.99	2.37
Utilities	4.13	1.40	2.73

Top 3 holdings

	Portfolio %	Benchmark %	Active %
BHP Group	12.80	11.31	1.49
Commonwealth Bank of Australia	12.01	10.32	1.69
Westpac Banking	6.46	4.51	1.95

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
Transurban Group	4.48	1.68	2.80
Rio Tinto	5.04	2.40	2.64
Origin Energy	3.02	0.71	2.31
Underweights			
National Australia Bank	0.00	4.35	-4.35
Wesfarmers	0.00	3.85	-3.85
ANZ	1.60	3.99	-2.40

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	-5.79	0.39	-0.26	0.49
Distribution return	14.64	8.18	7.42	7.32

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	16.84	4.21
Index	16.60	3.54
Difference	0.24	0.67

* 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$99.5 mn as at 30 June 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

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