Investment Commentary
Quarter to 30 June 2026

Yarra Ex-20 Australian Equities Fund

Gross returns as at 30 June 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	5.96	0.57	5.48	-1.43	5.92	6.63	7.22	7.57
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.56	0.10	4.48	-0.08	7.71	5.49	N/A	N/A
Excess return (before fees)‡	-0.59	0.47	1.00	-1.36	-1.79	1.13	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 30 June 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	5.01	0.49	5.25	-2.31	4.98	5.68	6.17	6.40
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.56	0.10	4.48	-0.08	7.71	5.49	N/A	N/A
Excess return (after fees)‡	-1.55	0.39	0.77	-2.24	-2.73	0.18	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

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 300 Ex-20 Accumulation Index returned +4.5% for the quarter, taking its 12-month return to -0.1%. The broader S&P/ASX 300 Accumulation Index returned +4.1%, whilst globally, the MSCI World Index delivered +14.0% for the quarter.

Industrials (+16.4%) was the largest contributor, supported by strong gains in Computershare (CPU, +34.8%) and Qantas Airways (QAN, +26.9%) while DroneShield (DRO, -36.5%) detracted.

Financials (+11.6%) also contributed strongly, driven by Washington H. Soul Pattinson (SOL, +15.5%) and Block (XYZ, +36.3%), with Zip Co (ZIP, +109.0%) also significantly higher.

Information Technology (+17.4%) added materially, supported by Megaport (MP1, +208.2%) and NextDC (NXT, +30.9%), which both rose following significant contract wins.

Real Estate (+7.7%) rallied, led by Charter Hall Group (CHC, +24.1%) and Scentre Group (SCG, +16.3%).

Materials (+1.0%) contributed slightly, with gains for James Hardie (JHX, +46.3%), Orica (ORI, +19.5%) and Sandfire Resources (SFR, +19.7%).

Health Care (+2.8%) was higher overall, supported by Pro Medicus (PME, +74.0%) and Telix Pharmaceuticals (TLX, +21.4%), partially offset by Cochlear (COH, -28.0%) and ResMed (RMD, -9.9%). PME outperformed on US contract wins and renewals.

Energy (-13.9%) was the largest detractor as oil prices fell following escalations in the Middle East, with Santos (STO, -9.4%), Whitehaven Coal (WHC, -17.5%) and Yancoal Australia

(YAL, -33.8%) all lower.

Consumer Staples (-3.9%) also detracted, reflecting declines in a2 Milk (A2M, -21.8%), GrainCorp (GNC, -25.9%) and Elders (ELD, -26.4%), while Treasury Wine Estates (TWE, +28.3%) gained.

Communication Services (-2.4%) detracted, driven by declines in Tuas (TUA, -62.7%) and REA Group (REA, -11.0%). Tuas fell following the collapse of its proposed acquisition of Singapore telecommunications operator M1 and regulatory issues.

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 >30%.

Key Detractors

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 prices 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 an attractive entry point.

Alcoa (AAI, overweight) – our position in the alumina and aluminium producer underperformed during the quarter as aluminium prices declined 11% from recent highs. While alumina prices rose 4%, this increase was insufficient to offset the aluminium price headwinds. AAI's production is skewed towards alumina, a commodity we view as currently trading at or near trough pricing around US$310/t. While the near-term outlook is more positive for finished aluminium metal given supply interruptions in the Middle East, we see longer-term value in alumina.

ResMed (RMD, overweight) – two factors external to the company likely weighed on the share price of healthcare company ResMed over the period. Firstly, with ongoing new GLP-1 releases in the USA, including in oral form, concern that higher GLP-1 adoption rates in the USA will start to erode RMD's market opportunity. Secondly, a degree of expectation that RMD's legacy device US competitor who is currently unable to sell into the USA due to a consent degree from the FDA, may eventually return. While versions of both of these risks need to be carefully monitored, we believe they are overdone, and that at less than 17-times P/E RMD is a compelling opportunity in the healthcare sector.

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 Communication Services, Materials and Utilities sectors and underweight Industrials, Real Estate and Financials.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	13.55	3.42	10.13
Consumer Discretionary	5.40	5.96	-0.56
Consumer Staples	2.85	2.46	0.39
Energy	2.64	5.34	-2.71
Financials	8.57	14.43	-5.86
Health Care	5.75	9.35	-3.60
Industrials	0.00	13.03	-13.03
Information Technology	8.54	6.41	2.13
Materials	33.23	26.13	7.10
Real Estate	3.81	9.92	-6.11
Utilities	8.93	3.55	5.39

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Origin Energy	5.79	1.80	3.99
NextDC	5.19	1.05	4.13
ResMed	4.52	1.56	2.96

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
NextDC	5.19	1.05	4.13
Origin Energy	5.79	1.80	3.99
Block	4.03	0.42	3.61
Underweights			
Suncorp Group	0.00	1.98	-1.98
Computershare	0.00	1.98	-1.98
Scentre Group	0.00	1.92	-1.92

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	-5.34	2.78	3.43	3.67
Distribution return	3.03	2.19	2.25	2.50

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$122.7 mn as at 30 June 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

Disclaimers

Yarra Funds Management Limited (ABN 63 005 885 567, AFSL 230 251) ('YFM') is the issuer and responsible entity of a range of registered managed investment schemes, which includes those named in this document ('Funds'). YFM is not licensed to provide personal financial product advice to retail clients. The information provided contains general financial product advice only. The advice has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client's objectives, financial situation or needs. Prior to investing in any of the Funds, you should obtain and consider the product disclosure statement ('PDS') and target market determination ('TMD') for the relevant Fund by contacting our Investor Services team on 1800 034 494 or from our website at www.yarracm.com/pdsupdates/. The information set out has been prepared in good faith and while Yarra Funds Management Limited and its related bodies corporate (together, the "Yarra Capital Management Group") reasonably believe the information and opinions to be current, accurate, or reasonably held at the time of publication, to the maximum extent permitted by law, the Yarra Capital Management Group: (a) makes no warranty as to the content's accuracy or reliability; and (b) accepts no liability for any direct or indirect loss or damage arising from any errors, omissions, or information that is not up to date. No part of this material may, without the Yarra Capital Management Group's prior written consent be copied, photocopied, duplicated, adapted, linked to or used to create derivative works in any form by any means.

YFM manages each of the Funds and will receive fees as set out in each PDS. To the extent that any content set out in this document discusses market activity, macroeconomic views, industry or sector trends, such statements should be construed as general advice only. Any references to specific securities are not intended to be a recommendation to buy, sell, or hold such securities. Past performance is not an indication of, and does not guarantee, future performance. Information about the Funds, including the relevant PDSs, should not be construed as an offer to any jurisdiction other than in Australia. With the exception of some Funds that may be offered in New Zealand from time to time (as disclosed in the relevant PDS), we will not accept applications from any person who is not resident in Australia or New Zealand. The Funds are not intended to be sold to any US Persons as defined in Regulation S of the US federal securities laws and have not been registered under the U.S. Securities Act of 1933, as amended.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. Holdings may change by the time you receive this report. Future portfolio holdings may not be profitable. The information should not be deemed representative of future characteristics for the strategy. There can be no assurance that any targets stated in this document can be achieved. Please be advised that any targets shown are subject to change at any time and are current as of the date of this document only. Targets are objectives and should not be construed as providing any assurance or guarantee as to the results that may be realized in the future from investments in any asset or asset class described herein. If any of the assumptions used do not prove to be true, results may vary substantially. These targets are being shown for informational purposes only.

© Yarra Capital Management, 2026.