# Yarra Ex-20 Australian Equities Fund

## Gross returns as at 31 July 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 | 5.90 | 0.00 | 0.07 | -3.29 | 5.14 | 6.58 | 6.51 | 7.53 |
| S&P/ASX 300 ex S&P/ASX 20 Accumulation Index# | 6.43 | -0.43 | 1.32 | -3.14 | 6.37 | 5.22 | N/A | N/A |
| Excess return (before fees)‡ | -0.53 | 0.42 | -1.25 | -0.14 | -1.23 | 1.36 | 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 July 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 | 4.94 | -0.08 | -0.16 | -4.15 | 4.20 | 5.63 | 5.47 | 6.36 |
| S&P/ASX 300 ex S&P/ASX 20 Accumulation Index# | 6.43 | -0.43 | 1.32 | -3.14 | 6.37 | 5.22 | N/A | N/A |
| Excess return (after fees)‡ | -1.48 | 0.35 | -1.48 | -1.01 | -2.17 | 0.41 | 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 during the month of July as momentum in AI-related stocks moderated globally, with Australia benefiting from its relatively lower exposure to the theme.

The S&P/ASX 300 Ex-20 Accumulation Index returned -0.4% for the month, taking its 12-month return to -3.1. The broader S&P/ASX 300 Accumulation Index returned +2.1%, whilst globally, the MSCI World Index delivered +0.2% for the month.

Financials (+2.9%) was the largest contributor, led by AMP (AMP, +34.0%) and HUB24 (HUB, +17.2%), while Zip Co (ZIP, -21.3%) detracted. AMP outperformed as investors responded to a positive earnings update led by a surprising jump in the profitability of its Chinese pensions JV.

Energy (+7.5%) also outperformed, as a renewal of the war in the Middle East drove the oil price higher. The sector was supported by Ampol (ALD, +21.3%), Santos (STO, +8.7%) and Viva Energy Group (VEA, +37.7%), while Whitehaven Coal (WHC, -8.5%) weakened. VEA rose strongly on refining margin strength announced during the first half trading update.

Real Estate (+2.0%) contributed positively, led by Dexus (DXS, +10.9%) and Stockland (SGP, +4.7%), while PEXA Group (PXA, -28.0%) detracted.

Consumer Discretionary (+2.8%) was higher, with gains from Domino's Pizza Enterprises (DMP, +18.8%) and Guzman y Gomez (GYG, +18.6%).

Communication Services (+4.6%) outperformed, driven by REA Group (REA, +15.5%), Seek (SEK, +9.2%) and News Corporation (NWS, +9.3%).

Materials (-3.9%) was the largest detractor, driven by Lynas Rare Earths (LYC, -22.0%), Liontown (LTR, -42.7%) and PLS Group (PLS, -17.3%). LYC declined as investors focused on weaker production at its expanded processing facilities, whereas PLS and LTR fell on weaker lithium prices.

Industrials (-3.3%) was weaker, reflecting declines in DroneShield (DRO, -30.0%), Electro Optic Systems Holdings

(EOS, -35.0%) and Qantas Airways (QAN, -6.3%).

Information Technology (-4.8%) detracted, driven by Weebit Nano (WBT, -48.4%), Megaport (MP1, -16.1%) and NextDC (NXT, -8.4%) as investor enthusiasm towards AI, semi-conductor and data centre infrastructure waned.

## Portfolio review

### Key Contributors

Lynas Rare Earths (LYC, underweight) – the rare earth miner underperformed during July as rare earths (NdPr) prices drifted 2% lower. While rare earths remain a complex and opaque commodity, we see material demand upside as the western world seeks to diversify from China supply dominance. We are underweight LYC as we struggle to identify value and instead prefer gaining exposure to rare earths via peer Iluka Resources (ILU).

Seek (SEK, overweight) – Australia's leading employment classified business recovered in the period. This follows recent underperformance on the back of fears of AI displacement of online job classifieds, AI induced structural weakness in labour markets and a cyclical downturn in volumes following the collapse in consumer and business sentiment post the Iran war. While we do see cyclical risk to FY27 estimates, we believe structural fears are overplayed and view the implied multiple for the base business of 13-times FY27 earnings (after backing out a discounted valuation of the Seek Growth Fund) as highly attractive.

Tabcorp (TAH, overweight) – the wagering operator outperformed in July following the receipt of NSW approval for its national tote product. Lead indicators of TAH's growth strategy have been encouraging as the company captures market share, with progress on its in-venue, tote unification and media strategies evident. In our view, TAH has continued to execute on its turnaround, leaving the company well placed to benefit from any improvement in the domestic wagering market and operating leverage.

### Key Detractors

NextDC (NXT, overweight) – the leading Australian data centre owner and developer underperformed during the month as data centre supply chain stocks, especially microchip producers, sold off globally. NXT announced a further expansion in contracted capacity during the month, increasing contracted capacity by 11% to 740MW. Importantly, this additional capacity can be accommodated within existing data centres, hence requiring minimal incremental capex or funding beyond current commitments.

South32 (S32, underweight) – our underweight position in the diversified miner was a source of underperformance after the company announced the sale of its aluminium assets to Alcoa (AAI) during the month. The transaction simplifies the S32's commodity mix, reduces geographic complexity, and could generate proceeds of up to US$5.6bn. While recognising these positives of the transaction, we remain underweight and see better pure-play exposure to S32's key commodities elsewhere.

Iluka Resources (ILU, overweight) – the mineral sands producer underperformed during July. Mineral sands markets improved across the month and supported a positive 2Q26 production update, however rare earths prices (NdPr) drifted 2% lower. While rare earths remain a complex and opaque commodity, we see material demand upside as the western world seeks to diversify from China supply dominance. ILU remains our preferred exposure to rare earths via the company's $1.8bn Eneabba Rare Earths Refinery which remains on track for first production in 2028.

## Market outlook

July produced a solid headline gain for Australian equities, but performance remained narrow. The rotation again favoured larger, more liquid companies with clearer earnings resilience, while smaller companies remained exposed to tighter financial conditions, softer growth expectations and less forgiving earnings risk.

Sector leadership in large caps was concentrated in Energy and Financials. Energy surged +11.2% in July, taking its annual return to +15.0%, while Financials advanced +6.5%. Resources were broadly flat and Materials eased 0.5%, though both remain strong over the year. Consumer Discretionary gained +0.7% and is up +18.1% over the quarter, helped by resilient spending and reduced expectations of further Australian rate hikes. However, Health Care and Information Technology remain very weak over the year, reinforcing the message that leadership has been selective rather than broad-based.

Offshore equities were softer in Australian-dollar terms. World AUD total returns fell 1.5% as the Australian dollar rose +1.5%, reducing the translation benefit from unhedged global exposure. Defensive assets provided limited support, with composite bonds down 0.8%, government bonds down 0.9% and corporate bonds down 0.3%, while bank bills gained +0.4%.

Commodities delivered the strongest cross-asset signal. The S&P Goldman Sachs Commodity Index, (GSCI) total return jumped 12.1%, lifting six-month and annual gains to 26.7% and 41.1%. Gold rose 1.6% and remains up 23.8% annually. The commodity rebound supported energy equities but also highlighted the tension facing central banks: growth has softened, while some price pressures have not fully normalised.

In the US, the Federal Reserve held the federal funds target range at 3.50%–3.75% at its 29 July meeting, but the decision was not dovish. Three policymakers dissented in favour of a 25bp hike, with the statement noting that inflation remained above the 2% goal, and activity described as expanding solidly with unemployment little changed. This was a hawkish hold, not the start of an easing cycle.

Locally, the case for another interest rate hike by the Reserve Bank of Australia (RBA) has faded materially. An August increase now looks highly unlikely, effectively marking the completion of the hiking cycle, though the RBA will not declare victory while services inflation and labour costs remain elevated. Recent CPI data and a more dovish tone from the RBA Governor both point to easing inflation pressure. Headline inflation eased to 3.8%, the monthly CPI fell 0.1%, and the quarterly trimmed mean was below consensus. International travel costs were the largest recent contributor, while broader price pressures were mild.

Our view is that disinflation is becoming increasingly broad-based, albeit uneven. Annual inflation appears to have peaked in 3Q25, and the removal of July 2025's spike should produce friendlier prints through the rest of the year. Electricity should subtract around 50 bps from annual inflation next month, while new dwelling costs should ease into 2027. Rents, hospitality and regulated prices remain persistent, but items still above 4% are increasingly concentrated in meat, gold-related categories and administered prices rather than broad private-sector demand. The labour market is cooling rather than collapsing: unemployment was steady at 4.4%, employment rose strongly, underemployment increased to 6.5% and participation rose.

Taken together, July's data and the RBA Governor's tone suggest policy is restrictive enough. Rates markets have rallied, and the key risk is shifting from further hikes to the timing of eventual easing. We expect the RBA to remain on hold until early 2027, before commencing a modest easing cycle as growth slows, inflation moderates and spare labour capacity rises.

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

## Sector allocation

| | Portfolio % | Benchmark % | Active % |
|---|---|---|---|
| Communication Services | 14.89 | 3.63 | 11.26 |
| Consumer Discretionary | 5.96 | 6.21 | -0.26 |
| Consumer Staples | 2.98 | 2.52 | 0.47 |
| Energy | 2.90 | 5.83 | -2.94 |
| Financials | 8.05 | 15.06 | -7.01 |
| Health Care | 5.89 | 9.42 | -3.54 |
| Industrials | 0.00 | 11.81 | -11.81 |
| Information Technology | 8.08 | 6.19 | 1.89 |
| Materials | 32.28 | 25.49 | 6.79 |
| Real Estate | 3.43 | 10.27 | -6.85 |
| Utilities | 9.25 | 3.56 | 5.68 |

## Top 3 holdings

| | Portfolio % | Benchmark % | Active % |
|---|---|---|---|
| Origin Energy | 6.05 | 1.79 | 4.27 |
| ResMed | 5.04 | 1.63 | 3.40 |
| NextDC | 4.80 | 0.98 | 3.82 |

## Key active positions

| Overweights | Portfolio % | Benchmark % | Active % |
|---|---|---|---|
| Origin Energy | 6.05 | 1.79 | 4.27 |
| NextDC | 4.80 | 0.98 | 3.82 |
| Block | 4.16 | 0.43 | 3.72 |
| **Underweights** | | | |
| Computershare | 0.00 | 2.15 | -2.15 |
| Suncorp Group | 0.00 | 2.00 | -2.00 |
| South32 | 0.00 | 1.98 | -1.98 |

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 | -7.12 | 2.02 | 3.38 | 2.99 |
| Distribution return | 2.97 | 2.18 | 2.25 | 2.49 |

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 31 July 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