YARRA CAPITAL MANAGEMENT

Yarra Australian Equity Income Fund

Gross returns as at 31 August 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)^	1.78	5.15	7.42	11.82	10.23	10.38	11.60
S&P/ASX 200 Accumulation Index (grossed up for franking credits)	1.69	4.70	5.47	12.46	9.19	10.79	11.10
Excess return (before fees)‡	0.09	0.44	1.95	-0.64	1.04	-0.41	0.49

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 31 August 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^	1.43	4.66	5.07	9.36	7.39	7.53	8.69
Yarra Australian Equity Income Fund Yield (grossed up Dividend Yield)			7.42	7.02	8.12	8.21	8.47
S&P/ASX 200 Accumulation Index Yield (grossed up Dividend Yield)			4.24	4.59	5.18	5.20	5.61
Excess yield‡‡			3.18	2.43	2.94	3.01	2.85

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

The Australian equities market rose during the month. In a better-than-expected reporting season companies delivered solid earnings and dividend beats, with fewer negative outlooks than usual.

The S&P/ASX 200 Accumulation Index returned +1.5% for the month, taking its 12-month return to +4.4%. The broader S&P/ASX 300 Accumulation Index returned +1.6%, whilst globally, the MSCI World Index delivered +2.4% for the month.

Materials (+12.2%) was the largest contributor, on commodity price and gold strength driven by BHP Group (BHP, +9.8%), Evolution Mining (EVN, +32.0%), Northern Star Resources (NST, +17.8%) and PLS Group (PLS, +30.1%).

Health Care (+18.8%) also contributed strongly with earnings coming in 3% ahead of expectations in August, a relief to investors given successive sector earnings downgrades in prior reporting seasons. Performance was driven mainly by CSL (CSL, +39.4%) while ResMed (RMD, +11.2%) and Ramsay Health Care (RHC, +15.7%) also rose.

Energy (+3.9%) added to performance, supported by Whitehaven Coal (WHC, +22.5%) and Santos (STO, +5.9%).

Information Technology (+6.3%) was higher, led by Xero (XRO, +18.4%), WiseTech Global (WTC, +11.2%) and Codan (CDA, +17.2%), partially offset by Life360 (360, -21.0%).

Financials (-5.4%) was the largest detractor, driven by Commonwealth Bank of Australia (CBA, -8.4%), Westpac Banking Corporation (WBC, -8.8%), National Australia Bank (NAB, -6.5%) and QBE Insurance (QBE, -8.6%). Banks continued to soften following a sudden shift in the credit growth outlook following the proposed tax changes in the federal budget.

Consumer Discretionary (-7.9%) was weaker, weighed by subdued consumer sentiment driven by interest rate rises and persistent inflationary pressures. Wesfarmers (WES, -11.1%), JB Hi-Fi (JBH, -16.8%), Aristocrat Leisure (ALL, -5.0%) and Lottery Corporation (TLC, -9.3%) all declined.

Real Estate (-6.6%) detracted, driven by Goodman Group (GMG, -6.9%), Charter Hall Group (CHC, -17.2%) and Scentre Group (SCG, -6.2%).

Industrials (-1.5%) was lower, led by Downer EDI (DOW, -15.8%), Qantas Airways (QAN, -5.3%), Aurizon Holdings (AZJ, -10.1%) and SGH (SGH, -10.5%)

Communication Services (-1.4%) declined, reflecting weakness in Telstra Group (TLS, -4.8%), partially offset by REA Group (REA, +11.4%).

Portfolio review

Key Contributors

Wesfarmers (WES, underweight) – the diversified conglomerate underperformed during the period after reporting an in-line result. However, the company's core retail offers (Bunnings/Kmart) remain exposed to a tightening consumer backdrop, with outsized exposure to housing turnover and interest rates. With the company still trading on a premium FY27 P/E multiple of 28.3-times vs 23.9-times the 10-year average, and a modest 3.1% dividend yield, expectations remain relatively high for the stock.

National Australia Bank (NAB, underweight) – the Australian bank underperformed during the month following an underwhelming third quarter update which showed declining NIM, stubbornly high expense growth and normalised bad debts. The outlook for the banking sector has deteriorated rapidly post the May budget and we continue to believe that the elevated valuations of Australian banks are not supported by the low growth outlook for the sector.

Evolution Mining (overweight) – the gold and copper producer outperformed during August as gold (+9%) and copper (+4%) prices rallied. The company also reported its FY26 financial results during the month, which were largely in line with market expectations. We remain attracted to EVN's long-life assets and meaningful leverage to copper production at the Ernest Henry and Northparkes mines.

Key Detractors

Commonwealth Bank of Australia (CBA, overweight) – the Australian bank underperformed during the month following an in line 2H26 result and generally constructive outlook commentary. The outlook for the banking sector has deteriorated rapidly post the May budget and we continue to believe that the elevated valuations of Australian banks are not supported by the low growth and return outlook for the sector.

JB Hi-Fi (JBH, overweight) – the consumer electronics retailer underperformed over the period, reflecting weaker July trading, supply disruptions and inflation-linked demand. This is expected to weigh on FY27 sales, placing margins at risk amid elevated promotional activity and cost pressures. The business otherwise reported reasonable underlying performance from its core JB Hi-Fi Australia business offset by a relatively weaker contribution from its housing-linked exposure businesses (The Good Guys and E&S).

PLS Group (PLS, underweight) – the lithium miner outperformed during the month as lithium prices rose 10% (Platts SC6 spodumene) to remain at elevated levels around US$2,300/t on continued optimism in the battery metals sector. We remain underweight the lithium sector as we view the market as well supplied for the remainder of the decade as we see mine restarts placing a cap on further upside to lithium prices in the near term, while incremental supply from new provinces including Nigeria, Mali and Zimbabwe will adequately balance markets in the longer term.

Market outlook

August was more constructive for growth assets, but leadership rotated sharply. The S&P/ASX 200 Index added 1.5%, briefly trading near record highs during reporting season, while small-cap Australian equities rebounded 5.2% as breadth improved and investors looked beyond banks and resources. The move was not uniformly risk-on: Australian listed property fell 7.0% as higher long-end bond yields again weighed on duration-sensitive valuations.

Sector performance reflected the push and pull between stronger risk appetite and higher discount rates. Small caps were the standout domestic equity signal, suggesting some recovery in confidence after sustained underperformance. By contrast, REITs remained under pressure from rising global sovereign yields and concerns that rate-sensitive cash flows would struggle to re-rate while central banks retained tightening biases. Gold was the clearest winner, surging 9.7% as geopolitical risks, fiscal concerns and renewed currency-debasement fears lifted demand for hard assets.

Offshore markets were mixed for Australian investors. Global equities benefited from resilient activity and AI-related investment themes, but Australian-dollar returns were diluted by a firmer currency. Bond markets offered little diversification: long-dated yields rose across Europe, the United Kingdom and Japan as investors demanded more compensation for fiscal risk and persistent inflation. Equities could still rise, but the cost of capital remained the dominant macro constraint.

Commodities reinforced the inflation-risk theme. Oil prices firmed on persistent Middle East tensions and supply concerns, while gold's rally signalled unease about geopolitics and the credibility of fiscal-monetary settings. Commodity strength helped energy-linked exposures but complicated the macro narrative: growth indicators were softening, yet external price shocks meant central banks could not confidently declare inflation risks had passed.

In the United States, there was no meeting scheduled for the Federal Open Market Committee (FOMC) in August however the policy signal strengthened. The July FOMC decision to hold at 3.50%–3.75% already carried a hawkish message, with three dissents in favour of a hike. Chair Kevin Warsh's Jackson Hole speech reinforced that bias, arguing inflation had not yet shown a meaningful improvement in underlying trends and noting that the Federal Reserve (Fed) would have "work to do" if inflation did not move clearly toward 2%. Markets lifted near-term hike probabilities as a result and we do expect that the Fed will hike at the September meeting.

Locally, the Reserve Bank of Australia (RBA) held the cash rate unchanged at 4.35% at its August meeting. The Board judged policy to be somewhat restrictive and acknowledged softer consumer spending, housing and labour market conditions.

However, it also stressed that inflation remained too high, and noted that July inflation data showed a further buildup of supply-side pressures.

With virtually all major central banks poised to lift rates, the Australian inflation data now makes it likely the RBA will deliver one further hike in September. The hike will likely be framed around inflation momentum, weak productivity and growth still near the Bank's estimate of potential. The RBA will probably keep optionality open, but we expect this to be the final hike as, by year-end, growth should be clearly below potential and the unemployment uptrend more ominous. Late-cycle hikes are always risky; hiking into slowing growth, falling asset prices and rising unemployment is unprecedented in the inflation-targeting era. As a consequence, expect Australia's economic growth to slow below 1% into early 2027 and for the RBA to commence its easing cycle by mid-2027.

We are most overweight stocks within the Communication Services, Utilities and Energy sectors, and are underweight Financials, Consumer Discretionary and Information Technology.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	8.52	3.27	5.25
Consumer Discretionary	3.48	6.52	-3.04
Consumer Staples	4.04	3.74	0.29
Energy	6.24	4.57	1.67
Financials	26.76	32.10	-5.34
Health Care	6.09	6.53	-0.44
Industrials	2.83	6.63	-3.80
Information Technology	0.00	2.14	-2.14
Materials	28.84	27.68	1.16
Real Estate	4.46	5.39	-0.93
Utilities	4.93	1.44	3.49

Top 3 holdings

	Portfolio %	Benchmark %	Active %
BHP Group	15.43	12.24	3.20
Commonwealth Bank of Australia	10.19	9.73	0.46
Westpac Banking	5.95	4.30	1.66

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.

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
BHP Group	15.43	12.24	3.20
Woodside Energy	5.32	2.24	3.08
Origin Energy	3.68	0.73	2.95
Underweights			
Wesfarmers	0.00	3.28	-3.28
ANZ	1.10	4.08	-2.98
National Australia Bank	1.99	4.31	-2.32

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Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	-9.06	1.12	-0.05	0.23
Distribution return	14.13	8.24	7.43	7.30

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	18.21	3.94
Index	17.88	3.38
Difference	0.33	0.56

* 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$86.7 mn as at 31 August 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.

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