Investment Commentary
Month to 31 August 2026

Yarra Emerging Leaders 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 Emerging Leaders Fund	3.06	4.36	3.12	10.24	6.78	8.23	11.01
Emerging Leaders Combined Benchmark†	5.50	3.84	0.74	10.33	4.95	8.42	7.38
Excess return (before fees)‡	-2.43	0.52	2.39	-0.09	1.83	-0.19	3.63

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 management costs, meaning they do not reflect the deduction of any investment management fees and expenses 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 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 Emerging Leaders Fund	2.95	4.03	1.85	8.88	5.46	6.89	9.70
Emerging Leaders Combined Benchmark†	5.50	3.84	0.74	10.33	4.95	8.42	7.38
Excess return (after fees)‡	-2.54	0.19	1.11	-1.46	0.51	-1.53	2.32

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* Inception date Yarra Emerging Leaders Fund: September 1997
† Comprising 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries Accumulation Index
‡ Excess return: The difference between the Fund's return and the benchmark return.

Market review

The Australian mid and small-cap equities market rose strongly during the month.

The Emerging Leaders Benchmark returned +5.5% for the month, taking its 12-month return to +0.7%. The broader S&P/ASX 300 Accumulation Index returned +1.6%, whilst globally, the MSCI World Index delivered +2.4% for the month..

Materials (+18.6%) was the largest contributor, led by Genesis Minerals (GMD, +44.0%), Vault Minerals (VAU, +39.8%). Sandfire Resources (SFR, +21.1%), Perseus Mining (PRU, +33.6%) also rose as increases in gold and copper prices drove returns.

Health Care (+10.3%) also contributed strongly, with low guidance misses in August. driven by Ansell (ANN, +26.1%), Ramsay Health Care (RHC, +15.7%) and Pro Medicus (PME, +10.6%) amongst others.

Energy (+13.2%) added materially, supported by Whitehaven Coal (WHC, +22.5%) and Paladin Energy (PDN, +23.3%) amongst others as oil prices rose.

Communication Services (+3.3%) was higher, led by REA Group (REA, +11.4%).

Financials (+0.7%) contributed modestly, with gains in AMP (AMP, +12.1%), Steadfast Group (SDF, +14.3%), Pinnacle Investment Management (PNI, +7.5%) and FleetPartners Group (FPR, +47.7%), partially offset by HUB24 (HUB, -11.1%).

Real Estate (-7.1%) was the largest detractor, reflecting declines in Charter Hall Group (CHC, -17.2%) and Arena REIT (ARF, -27.3%).

Consumer Discretionary (-4.6%) detracted, driven by JB Hi-Fi (JBH, -16.8%), Harvey Norman (HVN, -13.0%), Eagers Automotive (APE, -9.2%) and IDP Education (IEL, -23.6%).

Consumer Staples (-1.8%) declined, with weakness in Endeavour Group (EDV, -9.8%), a2 Milk Company (A2M, -4.1%) and Cobram Estate Olives (CBO, -10.8%) outweighing gains in Treasury Wine Estates (TWE, +11.2%).

Portfolio review

Key Contributors

Evolution Mining (EVN, 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.

Bellevue Gold (BGL, overweight) – the gold producer outperformed during August as the gold price rose (+9%) on soft US economic data that drove bond yields lower and weakened the US dollar. While the company's long-term performance still depends on consistent production, cost control, and execution of its growth plans, the combination of an improved earnings outlook and favourable market conditions underpins our positive view on the stock.

Sandfire Resources (SFR, overweight) – the pure play copper producer outperformed as copper prices increased by 4% during the month. The company also delivered a solid FY26 financial result that included a materially higher dividend (35cps) than expected now that the balance sheet is debt free. We continue to favour SFR as the best exposure to copper on the ASX, a commodity we like given declining and increasingly expensive supply and its demand leverage to electrification as a key material in batteries and electric motors.

Key Detractors

Vault Minerals (VAU, underweight) – our underweight position in the West Australian gold miner was a source of underperformance in August as gold prices rallied 9% on softer US economic data driving bond yields lower and weakening the US dollar. We see better value elsewhere in the gold sector.

Perseus Mining (PRU, underweight) – our underweight in the African gold miner was a source of underperformance in August as gold prices rallied 9% on soft US economic data that drove bond yields lower and weakened the US dollar. We remain cautious about the company's elevated sovereign risks operating in Africa, particularly given there are numerous investment alternatives in the gold sector. We prefer lower risk jurisdictions, and our gold holdings operate solely in western countries.

SGH (SGH, overweight) – our overweight position in SGH detracted during the month as macro indicators weakened across building products and construction weighed on the stock, in addition to the company's FY26 result which confirmed the expectation of slower growth into FY27. Despite the short-term pressure, we continue to see value in the company's diversified industrial exposure and long-term earnings growth opportunities.

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 Consumer Discretionary, Financials and Materials and are underweight, Energy, Real Estate and Industrials.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	5.00	4.57	0.43
Consumer Discretionary	10.14	6.65	3.49
Consumer Staples	4.29	4.06	0.22
Energy	0.00	6.28	-6.28
Financials	14.83	11.77	3.05
Health Care	5.42	7.68	-2.26
Industrials	8.81	11.77	-2.97
Information Technology	7.15	7.16	-0.01
Materials	31.30	29.60	1.70
Real Estate	5.48	9.68	-4.20
Utilities	0.00	0.76	-0.76

Top 3 holdings

	Portfolio %	Benchmark %	Active %
NextDC	5.08	1.56	3.52
Orica	4.58	1.53	3.05
Evolution Mining	4.42	0.00	4.42

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 %
Evolution Mining	4.42	0.00	4.42
NextDC	5.08	1.56	3.52
Block	3.74	0.66	3.08
Underweights			
Mineral Resources	0.00	1.68	-1.68
Ampol	0.00	1.52	-1.52
Pro Medicus	0.00	1.47	-1.47

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Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	-4.08	4.64	-1.06	2.69
Distribution return	5.93	4.24	6.52	4.21

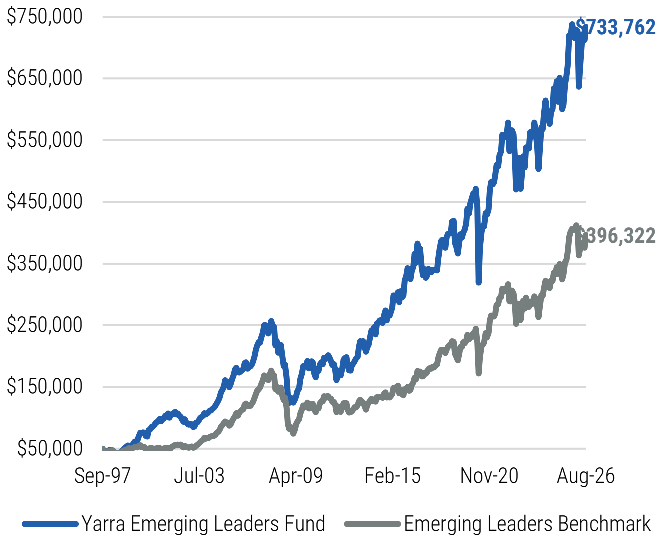
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders 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 small and medium sized Australian companies that are considered to possess strong capital growth potential. In doing so, the aim is to outperform the benchmark over rolling 3-year periods.	
Recommended investment time frame	5 - 7 + years	
Fund inception	September 1997	
Fund size	A$115.0 mn as at 31 August 2026	
APIR code	JBW0010AU	
Estimated management cost	1.25% p.a.	
Buy/sell spread	+/- 0.20%	
Platform availability	Asgard Ausmaq BT Panorama BT SuperWrap Financial Index	Hub24 Macquarie Wrap Mason Stevens MLC Wrap OneVue

Investment performance comparison of $50,000

After fees, since inception of the Yarra Emerging Leaders Fund, September 1997 to August 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 benchmark (comprising 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries 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.

Applications and contacts

Investment into the Yarra Emerging Leaders Fund can be made by Australian resident investors only.

Website www.yarracm.com

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