YARRA CAPITAL MANAGEMENT

Investment Commentary
Month to 31 August 2026

Yarra Ex-20 Australian Equities Fund

Gross returns as at 31 August 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	6.64	6.43	7.03	-2.77	8.15	7.01	7.33	7.91
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	7.05	5.42	5.08	-1.92	8.77	5.28	N/A	N/A
Excess return (before fees)‡	-0.40	1.01	1.95	-0.85	-0.62	1.73	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 August 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	5.68	6.35	6.79	-3.63	7.18	6.05	6.29	6.73
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	7.05	5.42	5.08	-1.92	8.77	5.28	N/A	N/A
Excess return (after fees)‡	-1.36	0.93	1.71	-1.71	-1.59	0.77	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. In a better-than-expected reporting season companies delivered solid earnings and dividend beats, with fewer negative outlooks than usual.

The S&P/ASX 300 Ex-20 Accumulation Index returned +5.4% for the month, taking its 12-month return to -1.9%. The broader S&P/ASX 300 Accumulation Index returned +1.6%, whilst globally, the MSCI World Index delivered +2.4% for the month.

Materials (+18.5%) was the largest contributor, benefitting from the strength in gold and commodities led by gold miners such as Evolution Mining (EVN, +32.0%), PLS Group (PLS, +30.1%) and Genesis Minerals (GMD, +44.0%).

Energy (+10.2%) contributed strongly, supported by Whitehaven Coal (WHC, +22.5%), Paladin Energy (PDN, +23.3%) and Santos (STO, +5.9%).

Health Care (+5.1%) added to performance, driven by low guidance misses in August. ResMed (RMD, +11.2%), Ansell (ANN, +26.1%) and Ramsay Health Care (RHC, +15.7%) rose.

Information Technology (+5.6%) was higher, led by Xero (XRO, +18.4%), WiseTech Global (WTC, +11.2%) and Codan (CDA, +17.2%), while Life360 (360, -21.0%) weakened.

Utilities (+7.4%) and Communication Services (+4.2%) advanced, supported by Origin Energy (ORG, +8.0%) and REA Group (REA, +11.4%), respectively.

Real Estate (-6.2%) was the largest detractor, driven by Charter Hall Group (CHC, -17.2%), and Scentre Group (SCG, -6.2%).

Consumer Discretionary (-2.9%) declined, weighed by subdued consumer sentiment driven by interest rate rises and persistent inflationary pressures. JB Hi-Fi (JBH, -16.8%) and Lottery Corporation (TLC, -9.3%), fell while Light & Wonder (LNW, +15.5%) gained.

Industrials (-1.4%), Financials (-0.8%) and Consumer Staples (-1.8%) also detracted, reflecting weakness in SGH (SGH, -10.5%), Insurance Australia Group (IAG, -5.1%) and Endeavour Group (EDV, -9.8%), respectively.

Portfolio review

Key Contributors

Northern Star Resources (NST, overweight) – the gold producer outperformed during August as gold prices rose 9% due to a weaker U.S. dollar, falling bond yields, and the U.S. Treasury's decision to increase long-term bond buybacks. Despite recent operational challenges, the company's FY26 financial results and FY27 guidance were largely in-line. We believe that Northern Star has the most robust organic production growth profile in the gold sector.

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.

Capstone Copper (CSC, overweight) – the copper producer outperformed during August as copper prices increased by 4% to close at US$6.55/lb on continued strong demand led by increased EV and data centre activity. We maintain a positive view on CSC due to its pure-play leverage to attractive copper markets coupled with the potential to nearly double production by decade end.

Key Detractors

Sims (SGM, overweight) – the scrap steel producer underperformed during August on a disappointing FY26 financial result. The company's 1H27 earnings guidance for the rapidly growing SLS cloud computing recycling business was weak, leading to concerns around the sustainability of growth. We believe these concerns are overdone and recognise the lumpy nature of SLS's earnings. SLS 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 steelmaking operations.

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.

Newmont (NEM, underweight) – our underweight position in the global gold miner detracted from performance during August. Gold prices rose 9% due to a weaker U.S. dollar, falling bond yields, and the U.S. Treasury's decision to increase long-term bond buybacks. Our preferred large cap gold exposure remains Northern Star (NST) given its robust organic growth profile.

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 Materials sectors and underweight Industrials, Financials and Real Estate.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	14.56	3.59	10.97
Consumer Discretionary	5.93	5.71	0.21
Consumer Staples	3.08	2.35	0.73
Energy	3.33	6.08	-2.75
Financials	7.22	14.06	-6.84
Health Care	6.11	9.42	-3.32
Industrials	0.00	11.03	-11.03
Information Technology	8.22	6.22	2.00
Materials	32.79	28.78	4.01
Real Estate	3.24	9.12	-5.88
Utilities	9.25	3.63	5.61

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Origin Energy	6.08	1.84	4.24
ResMed	5.19	1.73	3.47
NextDC	4.61	0.96	3.65

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 %
Origin Energy	6.08	1.84	4.24
Northern Star	3.80	0.00	3.80
NextDC	4.61	0.96	3.65
Underweights			
South32	0.00	2.13	-2.13
Computershare	0.00	1.99	-1.99
Suncorp Group	0.00	1.88	-1.88

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Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	-6.62	4.94	3.80	3.78
Distribution return	2.99	2.24	2.26	2.51

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$131.6 mn as at 31 August 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

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