YARRA CAPITAL MANAGEMENT

Investment Commentary
Quarter to 30 September 2026

Yarra Emerging Leaders Fund

Gross returns as at 30 September 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	-5.35	-3.45	-1.89	9.91	5.73	7.63	10.77
Emerging Leaders Combined Benchmark†	-2.85	1.19	-3.97	10.89	4.64	8.08	7.25
Excess return (before fees)‡	-2.49	-4.63	2.08	-0.98	1.09	-0.45	3.52

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 30 September 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	-5.44	-3.75	-3.10	8.55	4.42	6.30	9.46
Emerging Leaders Combined Benchmark†	-2.85	1.19	-3.97	10.89	4.64	8.08	7.25
Excess return (after fees)‡	-2.59	-4.94	0.87	-2.34	-0.21	-1.78	2.21

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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 retreated during the quarter.

The Emerging Leaders Benchmark returned +1.2% for the quarter, taking its 12-month return to -4.0%. The broader S&P/ASX 300 Accumulation Index returned +1.3%, whilst globally, the MSCI World Index delivered +1.8% for the quarter.

Materials (+7.2%) was the largest contributor, as the gold price and commodity prices rose during the quarter, reflecting increases in Genesis Minerals (GMD, +39.3%), Perseus Mining (PRU, +36.6%) and Vault Minerals (VAU, +43.9%).

Energy (+16.5%) contributed strongly, as the continued US-Iran conflict and the disruption of the Strait of Hormuz led to oil price increases. Both Ampol (ALD, +40.1%) and Viva Energy Group (VEA, +58.2%) rose strongly.

Health Care (+6.3%) advanced, led by Ansell (ANN, +44.7%) and Ramsay Health Care (RHC, +27.8%), while Pro Medicus (PME, -19.2%) detracted.

Real Estate (-7.8%) was the largest detractor, reflecting declines in Charter Hall Group (CHC, -17.5%), Centuria Capital Group (CNI, -34.5%) and PEXA Group (PXA, -35.0%).

Information Technology (-6.0%) fell, driven by NextDC (NXT, -22.1%) and Weebit Nano (WBT, -53.5%), while Codan (CDA, +50.0%) gained.

Industrials (-3.3%) and Consumer Discretionary (-3.4%) detracted, led by SGH (SGH, -18.9%) and JB Hi-Fi (JBH, -11.0%), respectively.

Financials (-0.7%) declined slightly, with Pinnacle Investment Management (PNI, -21.0%) and Zip Co (ZIP, -37.3%) offsetting AMP (AMP, +64.0%).

Communication Services (-1.0%) weakened, led by Superloop (SLC, -22.1%), while REA Group (REA, +14.3%) gained.

Portfolio review

Key Contributors

Bellevue Gold (BGL, overweight) – the gold producer outperformed during the September quarter as the gold price rose (+4%) 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.

Evolution Mining (EVN, overweight) – the gold and copper producer outperformed during the September quarter as gold (+4%) and copper (+9%) 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.

Sandfire Resources (SFR, overweight) – the pure play copper producer outperformed as copper prices increased by 9% during the quarter. The company also delivered a solid FY26 financial result that included a materially higher dividend (35cps) than expected reflecting a debt free balance sheet. 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

NextDC (NXT, overweight) – the leading Australian data centre owner and developer detracted during the quarter as the market remained cautious on the quantum of new data centre announcements in Australia and the ability of NXT to fund its next leg of growth. Despite these concerns NXT remains our preferred listed data centre exposure with a strong track record of project delivery and returns on capital.

Netwealth Group (NWL, overweight) – the wealth management company underperformed during the quarter despite reporting a solid FY26 result and strong net flow guidance for FY27 of +$18b-$20b, a material acceleration on FY26 levels. Share price performance has been hampered by increased cost investment in FY27 weighing on margins, concerns around the implications of private credit fund lock ups and a class action announcement late in the quarter. We believe all of these elements are temporary in nature and do not detract from the attractive long term outlook for NWL.

Ampol (ALD, underweight) – the petroleum company outperformed during the period, benefiting from expanding refining margins and supply disruptions around the Strait of Hormuz. ALD's headline FY26 dividend yield at 7.2% is contingent on this continuing, with through-the-cycle FY28 yields of 4.3% less compelling vs ALD's 10-year average (5.1%). Longer term, ALD remains reliant on fuel margins to support earnings at a time when convenience volumes are declining and discounters are taking share, presenting risks around industry rebasing and the sustainability of fuel-driven profitability.

Market outlook

September was a more difficult month for growth assets as higher oil prices, rising sovereign yields and renewed central-bank tightening lifted the cost of capital. The S&P/ASX 200 Index fell 2.4% including dividends, underperforming global equities, while the MSCI World Index declined 1.2% in US-dollar terms. Australian investors received some protection from the weaker currency, with unhedged international equities outperforming hedged exposures.

Market leadership remained unusually narrow. US mega-cap technology and AI-related stocks supported the Nasdaq, but the broader S&P 500 Index eased and the Dow fell sharply. Europe and Australia lagged as higher discount rates pressured banks, resources, property and other cyclical or rate-sensitive sectors. The key signal was not a wholesale retreat from risk, but a market increasingly unwilling to look through higher funding costs.

Bond markets drove the cross-asset adjustment. Long-dated government yields rose across the United States, Europe and Japan as investors absorbed stronger data on activity, heavier fiscal borrowing and a less forgiving inflation outlook. The US dollar index gained around 2%, while the Australian dollar fell by 3.1%, amplifying offshore returns for unhedged Australian investors. Credit also weakened, as wider spreads compounded the rise in government yields.

Commodities reinforced the inflation shock. Brent crude rose more than 10% and traded above US$100 a barrel as US–Iran tensions and uncertainty around Middle East supply intensified. Gold reversed part of August's surge, falling more than 6% as higher real yields and a stronger US dollar outweighed safe-haven demand. The combination of firmer energy prices and rising bond yields was particularly damaging for long-duration assets.

The Federal Reserve delivered its first increase in around three years, lifting the federal funds target range by 25 basis points to 3.75%–4.00%. The unanimous decision reflected resilient domestic spending, robust capital investment and elevated inflation. Chairman Kevin Warsh delivered a firm message: policymakers would act to deliver price stability and financial conditions were not restrictive, leaving markets to price in a meaningful risk of another increase before year-end.

The tightening was global. The European Central Bank (ECB) raised its deposit rate by 25 basis points to 2.50%, citing energy-driven inflation and an economy that was proving to be more resilient than expected. The Bank of Japan also lifted its policy rate to 1.25%, while the Bank of England held at 3.75%. Collectively, September marked a sharp reversal from earlier expectations that the next coordinated move by major central banks would be toward easing.

Locally, the Reserve Bank of Australia (RBA) unanimously raised the cash rate by 25 basis points to 4.60%, its fourth increase of 2026 and the highest rate since 2011. The Board judged that upside inflation risks were materialising through higher global energy prices, stronger-than-expected domestic inflation and persistent capacity pressures. Yet the late-cycle trade-off is becoming more severe: unemployment has risen to 4.6%, housing prices and new lending are weakening, and consumer spending is slowing. We expect growth to fall below 1% into early 2027. The RBA may retain a tightening bias, but September's move is likely to prove the final hike before an easing cycle begins around mid-2027.

As relative interest rates converge across the developed world and as the economic growth outlook tapers towards the end of 2026, the A$ is expected to underperform. If our prediction for the RBA to commence easing around mid-2027 proves to be correct then not only will the A$ depreciate more than most suspect, but a sector rotation in the equity market back towards interest rate sensitive sectors and away from commodity exposure is likely into the end of 2026 and first phase of 2027.

We are most overweight stocks within the Consumer Discretionary, Financials and Materials sectors and are underweight Energy, Industrials and Health Care.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	5.09	4.28	0.81
Consumer Discretionary	10.26	6.06	4.19
Consumer Staples	4.54	4.10	0.45
Energy	0.00	6.00	-6.00
Financials	15.65	11.50	4.15
Health Care	5.92	9.73	-3.81
Industrials	8.85	12.94	-4.09
Information Technology	7.01	6.93	0.07
Materials	30.82	28.06	2.76
Real Estate	5.79	9.64	-3.84
Utilities	0.00	0.76	-0.76

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Orica	5.15	1.68	3.47
NextDC	4.25	0.00	4.25
Evolution Mining	4.23	0.00	4.23

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 %
NextDC	4.25	0.00	4.25
Evolution Mining	4.23	0.00	4.23
Orica	5.15	1.68	3.47
Underweights			
Ampol	0.00	1.62	-1.62
Vicinity Centres	0.00	1.44	-1.44
Cochlear	0.00	1.41	-1.41

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Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	-8.75	4.33	-2.03	2.12
Distribution return	5.64	4.23	6.46	4.18

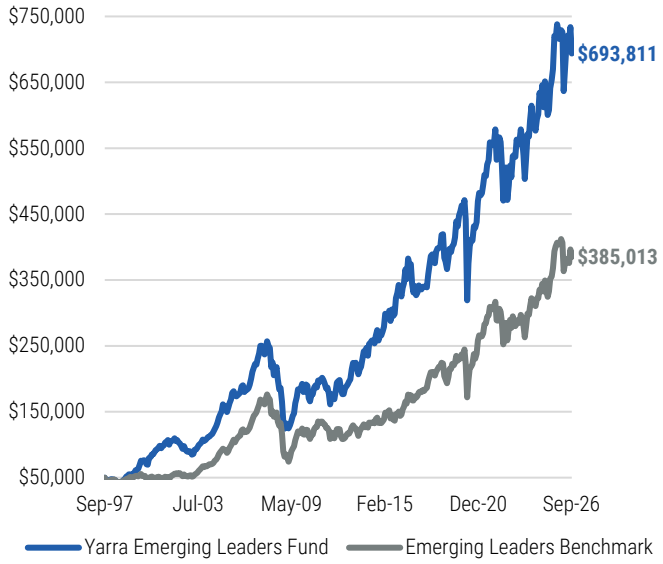
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders 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$106.4 mn as at 30 September 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 September 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.

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