YARRA CAPITAL MANAGEMENT

Investment Commentary
Month to 31 October 2026

Yarra Australian Equity Income Fund

Gross returns as at 31 October 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)^	2.35	2.36	7.80	14.11	10.71	10.56	11.52
S&P/ASX 200 Accumulation Index (grossed up for franking credits)	1.38	0.89	4.82	14.60	9.37	10.87	10.94
Excess return (before fees)‡	0.96	1.46	2.98	-0.49	1.34	-0.31	0.57

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 October 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^	2.33	1.53	5.52	11.54	8.02	7.72	8.62
Yarra Australian Equity Income Fund Yield (grossed up Dividend Yield)			7.56	7.33	7.71	8.25	8.49
S&P/ASX 200 Accumulation Index Yield (grossed up Dividend Yield)			4.49	4.62	5.15	5.25	5.62
Excess yield‡‡			3.07	2.71	2.57	3.00	2.87

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

Australian equities advanced modestly over the month.

The S&P/ASX 200 Accumulation Index returned +1.4% for the month, taking its 12-month return to +3.7%. The broader S&P/ASX 300 Accumulation Index returned +1.1%, whilst globally, the MSCI World Index delivered -0.8% for the month.

Financials (+7.0%) was the largest contributor, led by the banks which rallied including Commonwealth Bank of Australia (CBA, +10.4%), ANZ Group (ANZ, +6.5%) and Westpac (WBC, +5.0%).

Health Care (+6.3%) contributed positively, supported by CSL (CSL, +9.0%), ResMed (RMD, +11.0%) and Pro Medicus (PME, +19.7%), while Telix Pharmaceuticals (TLX, -16.5%) declined.

Consumer Discretionary (+3.6%) advanced, led by Aristocrat Leisure (ALL, +8.2%), Light & Wonder (LNW, +15.0%) and The Lottery Corporation (TLC, +11.3%) supported by higher lottery earnings.

Industrials (+2.4%) added to performance, supported by Brambles (BXB, +9.6%), Cleanaway Waste Management (CWY, +15.8%) and Computershare (CPU, +6.1%).

Utilities (+9.3%) rose strongly, driven by Origin Energy (ORG, +11.4%), APA Group (APA, +6.2%) and AGL Energy (AGL, +10.4%).

Communication Services (+3.3%) and Real Estate (+1.5%) also contributed positively, supported by CAR Group (CAR, +9.5%) and Charter Hall Group (CHC, +9.3%).

Materials (-7.8%) was the largest detractor due in part to the AI related sell off, as commodities fell during the month. BHP Group (BHP, -5.4%), Rio Tinto (RIO, -11.8%), Fortescue (FMG, -13.2%) and PLS Group (PLS, -31.6%) were examples of some the declines.

Information Technology (-3.5%) detracted as concerns grew on the execution and scale of AI capex spending. NextDC (NXT, -45.8%) and Megaport (MP1, -14.7%) declined while WiseTech Global (WTC, +25.7%) gained. NXT fell on reduced

earnings guidance following delays to the electricity-network upgrades supplying its M3 data centre in Melbourne.

Portfolio review

Key Contributors

Rio Tinto (RIO, underweight) – our underweight position in the diversified miner was a source of outperformance during October as iron ore (-1.9%) and aluminium (-3.2%) prices both declined on softening Chinese demand. We prefer peer BHP given its superior operational performance and lower cost asset base. In addition, BHP offers greater exposure to copper (>50% of EBITDA vs RIO 29%).

Arena REIT (ARF, overweight) – the shares of the childcare property landlord outperformed significantly over October, driven primarily by improving confidence around the resolution of its troubled tenant Edge Early Learning, which represented approximately 14% of rental income. In early October, Goodstart Early Learning agreed to acquire 31 Edge-operated centres, including 20 of Arena's properties, materially reducing concerns around rental arrears and future occupancy. Sentiment improved further in mid-October when Arena upgraded FY27 distribution guidance to 19.0–20.2 cents per security, from at least 18 cents previously, reflecting progress in securing replacement operators and rental income.

Challenger (CGF, overweight) – the portfolio's overweight position in the financial services firm was a positive contributor during the month following a takeover approach from Daichi Life and its Australian subsidiary TAL. Daichi has long been the logical suitor for CGF, and the timing is not surprising now that CGF has entered a new, more capital efficient, regulatory regime with multiple high returning growth options. The CGF board has not accepted the initial bid, but remains engaged with Daichi.

Key Detractors

Commonwealth Bank of Australia (CBA, underweight) – the Australian bank outperformed during the month on limited newsflow. 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.

Coles Group (COL, overweight) – the supermarket underperformed as weaker October in-store sales, fuel costs and incremental price investment resulted in a -6% EBIT downgrade to 1H27 Food earnings. While the competitive environment has strengthened with WOW's' improved execution, we continue to see COL as a well-run business with opportunities to offset near-term margin pressure through improved sales momentum and productivity gains. We see the recent weakness as a near-term rebasing of expectations rather than a fundamental change in the outlook with industry rationality largely intact.

Evolution Mining (EVN, overweight) – the gold and copper producer underperformed during October as gold prices retraced (-4%) on expectations of interest rate rises to address inflation concerns. We remain attracted to EVN's long-life assets and meaningful leverage to copper production at the Ernest Henry and Northparkes mines.

Market outlook

October brought a partial reprieve for growth assets as long-dated bond yields retreated from their September highs, although the relief was uneven across markets. The ASX 200 Index rose 1.4%, with investors rotating back towards larger, more established companies, while the MSCI World Index fell around 0.8% in US-dollar terms. A firmer Australian dollar worked against offshore exposures this month, with hedged international equities outperforming unhedged exposures.

Market leadership broadened sharply. The Nasdaq reached a year-to-date high early in the month but finished down 5.3% as investors questioned when heavy AI capital expenditure would translate into revenue, and the cap-weighted S&P 500 Index slipped 0.9%. Beneath the surface, however, the equal-weight S&P 500 Index rose 5.0%. The key signal was not a retreat from risk, but a rotation away from crowded AI leaders towards the broader market as the financing burden of the AI build-out came under closer scrutiny.

Bond markets unwound part of September's adjustment. The US 10-year Treasury yield fell back from around 5.3% to just above 5%, while the Australian 10-year yield declined roughly 20 basis points to 5.13%. The US dollar index touched an 18-month high in mid-October after a hotter-than-expected US CPI print of 3.7% year-on-year, before easing. The Australian dollar dipped to a three-month low near US$0.69 following a surprise fall in September employment, but recovered to finish the month around US$0.70, up a little over 1%.

Commodities sent mixed signals. Oil remained the dominant inflation risk: Brent futures traded above US$100 a barrel for most of the month and reached around US$110 in late October, while physical Dated Brent traded at a record premium to futures as the disruptions to the Strait of Hormuz persisted. Gold extended its decline, falling a further 7.6% to around US$3,876 an ounce, its lowest level of the year in Australian-dollar terms, as markets priced a further Fed hike and real yields remained elevated. Early November brought some relief, with Brent slipping back below US$100 after the US midterm elections raised hopes of a faster resolution to the Middle East conflict.

The Federal Reserve held the federal funds target range at 3.75%–4.00% at its 28 October meeting, but the decision was far from comfortable. Governor Lisa Cook and Cleveland Fed President Beth Hammack dissented in favour of a further 25 basis point increase, and the statement repeated that inflation "remains elevated" and that the Committee "will deliver price stability". Markets read the outcome as a hawkish hold, with futures pricing a high probability of another increase at the December meeting.

Elsewhere, the global tightening cycle paused but did not end. The European Central Bank held its deposit rate at 2.50%, flagging upside risks to inflation from energy prices and declining to pre-commit to a rate path, and announced that President Lagarde will step down in February 2027. The Bank of Japan held at 1.25%, with one member voting for an

increase to 1.5%. In early November the Bank of England became the last major central bank to begin tightening, lifting the Bank Rate by 25 basis points to 4.00% and warning that UK inflation could approach 5% by mid-2027. The collective message is that energy-driven inflation will not simply be looked through.

Locally, the inflation data forced the Reserve Bank of Australia's (RBA's) hand again. Headline CPI rose to 4.3% over the year to September, and the quarterly trimmed mean increased 1.0% in the September quarter (3.7% year-on-year), running ahead of the RBA's forecasts. On Melbourne Cup Day the Board lifted the cash rate by 25 basis points to 4.85%, its fifth increase of 2026 and the highest level since 2008, while pushing out the expected return of inflation to the top of the target band to late 2027. Yet the decision was split six to three, and the late-cycle trade-off is now acute: employment fell by 39,000 in September, unemployment has risen to 4.7%, housing prices have fallen significantly and business confidence sits in the bottom 5% of its history. We expect growth to fall below 1% into early 2027. The divided Board suggests the cash rate is at or very near its peak, and we continue to expect an easing cycle to begin around mid-2027.

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

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

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	8.88	3.27	5.61
Consumer Discretionary	3.78	6.56	-2.79
Consumer Staples	3.65	3.69	-0.04
Energy	4.83	4.67	0.16
Financials	33.02	34.50	-1.49
Health Care	7.41	7.26	0.16
Industrials	2.61	6.92	-4.31
Information Technology	0.00	1.96	-1.96
Materials	26.05	24.16	1.89
Real Estate	3.73	5.47	-1.74
Utilities	2.98	1.54	1.44

Top 3 holdings

	Portfolio %	Benchmark %	Active %
BHP Group	12.93	10.85	2.08
Commonwealth Bank of Australia	8.01	10.35	-2.33
Westpac Banking	6.84	4.67	2.17

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 %
CAR Group	2.70	0.34	2.35
Westpac Banking	6.84	4.67	2.17
BHP Group	12.93	10.85	2.08
Underweights			
Wesfarmers	0.00	3.23	-3.23
Commonwealth Bank of Australia	8.01	10.35	-2.33
Goodman	0.00	2.05	-2.05

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Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	-8.67	3.61	0.65	0.50
Distribution return	14.19	7.93	7.37	7.22

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	17.29	4.01
Index	17.40	3.49
Difference	-0.11	0.52

* 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$75.9 mn as at 31 October 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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