Product Assessment

Report as at 23 Nov 2026

Zenith RECOMMENDED

Yarra Australian Smaller Companies Share Fund

Rating issued on 23 Nov 2026 | APIR: UBS0004AU

Investment objective

To outperform the S&P/ASX Small Ordinaries Accumulation Index (after fees) over rolling five-year periods. Internally, Yarra seeks to outperform the benchmark by 5% p.a. (before fees) over the same time period.

Manager	Yarra Capital Management Group
Distributor	UBS Asset Management
Sector	Australian Shares \ Small Companies
Investment Style	Fundamental
Equity Style	Neutral
RI Classification	Integrated
Absolute Risk	Very High
Relative Risk	Active - Benchmark Unaware
Investment Timeframe	7+ Years
Zenith Benchmark	S&P/ASX Small Ordinaries (Accum)
Redemption Frequency	Daily
Income Distribution	Quarterly
Fund Size (31 Aug 2026)	$136.62M
Management Cost	0.85% p.a. Incl. GST
Performance Fee	20% of outperformance of the S&P/ASX Small Ordinaries Accumulation Index (after fees), subject to recouping of underperformance
Buy / Sell Spread	0.45% / 0.45%
Inception Date	31 Mar 2004

Fund facts

- Typically holds between 30 and 60 securities
- Portfolio turnover expected to average 40% p.a. to 60% p.a. over a market cycle

Viewpoint

The Fund, managed by Melbourne-based Yarra Capital Management (Yarra) and distributed by UBS Asset Management, provides a relatively diversified exposure to Australian small-cap equities. Yarra applies a fundamental research approach with a long-term investment horizon. Zenith's conviction in the Fund is underpinned by the experienced and stable investment team. In addition, we draw comfort from the strong track record of the portfolio managers since the strategy's inception in May 2016.

Yarra was established in 2017 following the management buyout of Goldman Sachs Asset Management's Australian-focused investment capabilities, backed by private equity group TA Associates. Yarra's senior management owns 40% of the equity in the firm, with TA Associates owning 40% and Nikko Asset Management owning 20%.

Katie Hudson and Michael Steele are responsible for the management of the Fund. Zenith believes Hudson and Steele are highly capable investors who have the requisite experience to successfully manage the Fund.

Primarily based in Melbourne, the Australian equities team comprises 14 members, led by Dion Hershan, who is directly supported by Hudson. Zenith believes Hershan and Hudson have the requisite experience to manage the investment team. All members of the investment team have research responsibilities that are divided across sector lines. Zenith considers the investment team to be sufficiently resourced.

Yarra's investment process is premised on the belief that equity markets are inefficient and that asset prices do not always reflect their intrinsic value. To exploit these market inefficiencies, Yarra seeks to develop unique insights and adopts a longer-term investment horizon. Zenith believes Yarra's investment process is well structured. Zenith believes Yarra follows a sound investment process.

The output of the research process is a one-page investment thesis articulating the valuation, risks and catalysts of a company. This analysis facilitates a peer-review process occurring during the morning and portfolio meetings. An important and differentiating aspect of the research output is the categorisation of securities into different payoff horizons. Stocks are categorised based on Yarra's assessment of risk characteristics and expected payoffs. Zenith highlights that Yarra's standardised approach to security analysis is intuitive and results in a consistent and detailed framework to identify ideas.

The portfolio construction process aims to produce a portfolio of securities with payoffs spread across multiple time horizons to improve diversification. Zenith is comfortable with Yarra's portfolio construction approach and believes it ensures a connection between the output of its security selection process and the resultant weight of the stock in the Fund.

Yarra was appointed the investment manager of the Fund in December 2018. The prior track record is attributable to another investment manager that employed a different strategy.

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Fund analysis

Fund characteristics

Constraint	Value
Number of Stocks	30 to 60
Active Stock Weight	Max: 5%
Market Capitalisation	Min: $A 200 million (Typically)
Cash	Max: 10%

Investment objective and philosophy

The Fund's investment objective is to outperform the S&P/ASX Small Ordinaries Accumulation Index (after fees) over rolling five-year periods. Internally, Yarra seeks to outperform the benchmark by 5% p.a. (before fees) over the same time period.

Yarra's investment process is premised on the belief that equity markets are inefficient and that asset prices do not always reflect their intrinsic value. To exploit these market inefficiencies, Yarra seeks to develop unique insights and adopts a longer-term investment horizon.

Yarra believes the Australian market is extremely narrow, with little differentiation between value and growth securities. As such, Yarra seeks to be opportunistic, preferring to have the ability to oscillate between value and growth securities.

Zenith believes Yarra follows a sounds investment process.

Portfolio applications

In general, compared to most other asset classes, equities offer investors the opportunity for higher capital growth over the longer term with some income. However, this higher growth is also often associated with higher volatility. For investors seeking to achieve a well-blended exposure to Australian equities, Zenith suggests Australian small/micro capitalisation funds are best used in combination with large and mid-capitalisation Australian equities funds. Due to the more volatile nature of small/micro capitalisation funds, Zenith recommends investors adopt a longer investment time horizon of at least seven years.

The Fund is constructed in a benchmark-unaware manner and, as such, investors should be aware that returns may vary considerably from the benchmark and peers.

Given Yarra's typically style-neutral approach, Zenith believes the Fund could be blended with other style-neutral, value and/or growth-orientated products to achieve a more diversified exposure.

The Fund's portfolio turnover is expected to average 40% p.a. to 60% p.a. over a market cycle, which Zenith considers to be low to moderate. Yarra was unable to provide any insight on the proportion of expected turnover attributed to the resizing of existing positions and that which is due to initiating and closing positions. Given this expected level of turnover, a sizeable proportion of the Fund's returns are expected to be delivered via capital appreciation in the unit price, rather than through the realisation of capital gains in income distributions. In addition, realised capital gains are likely to be eligible for the capital gains tax discount. As such, holding all else equal, the Fund may be more appealing to investors who are high marginal tax rate payers as it may result in superior after-tax return outcomes.

Fund responsible investment attributes

Key Information	Description
Zenith RI classification*	Integrated
Has Responsible Investment Policy	Yes
Negative screens**	**Full/Partial**
Armaments	Full
Fossil fuels	Partial
Adult Entertainment	Full
Tobacco	Partial
Human rights abuse	Full
Other Measures	Conflict Zone Investing (Full), Detention or Incarceration (Full), Drift Net or Trawl Fishing (Full), Palm Oil (Full), Predatory Lending (Full), Thermal Coal (Partial)
PRI Status	
PRI Signatory	Yes

*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact

***Data has been supplied by third parties. While such information is believed to be accurate, we do not accept responsibility for any inaccuracy in such data.*

Absolute performance

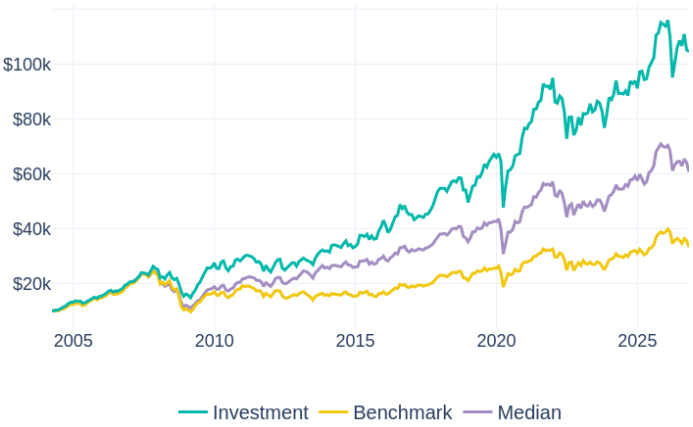
Performance as at 31 Oct 2026

Monthly performance history (%, net of fees)

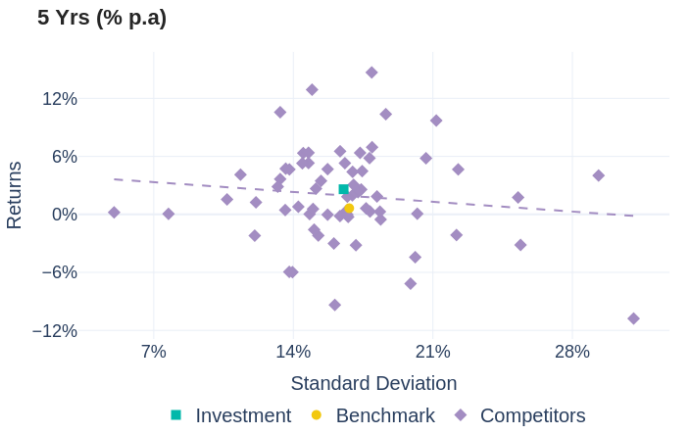
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*
2026	1.93%	-5.40%	-13.36%	6.56%	4.60%	2.44%	-1.79%	4.07%	-5.24%	-0.53%			-8.10%	-14.30%
2025	6.60%	0.23%	-3.12%	0.25%	4.48%	1.57%	1.84%	8.15%	0.70%	3.42%	-0.58%	-0.57%	24.86%	24.96%
2024	-0.88%	2.26%	5.57%	-4.97%	0.09%	-0.33%	1.32%	-1.92%	5.90%	-0.87%	1.08%	-2.94%	3.82%	8.37%
2023	5.51%	-0.22%	0.58%	3.97%	-3.44%	0.90%	3.80%	-0.81%	-3.35%	-7.39%	6.25%	7.65%	13.06%	7.82%
2022	-9.27%	-0.50%	3.11%	-0.98%	-5.83%	-11.75%	10.79%	0.18%	-8.23%	2.52%	6.15%	-3.67%	-18.21%	-18.40%

**S&P/ASX Small Ordinaries (Accum)*

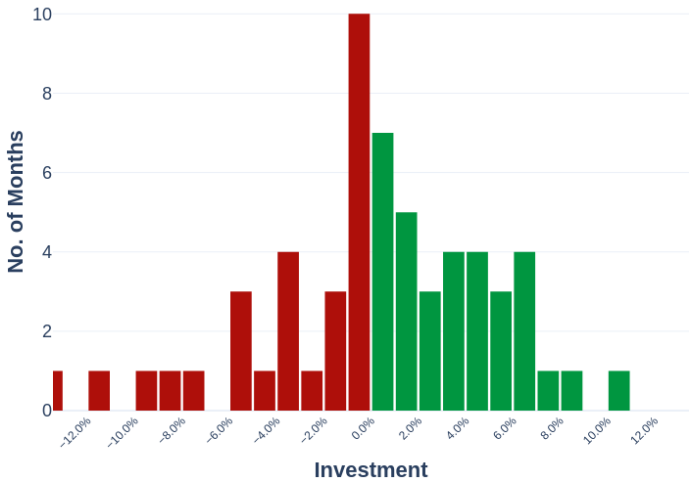
Growth of $10,000



Risk / return



Monthly histogram



Minimum and maximum returns (% p.a.)



Absolute performance analysis

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	**-9.16%**	**10.86%**	**2.60%**	**8.59%**	**10.95%**
Income	9.94%	7.05%	6.93%	9.84%	8.49%
Growth	-19.10%	3.82%	-4.33%	-1.25%	2.46%
Benchmark	**-14.37%**	**10.03%**	**0.64%**	**5.91%**	**5.46%**
Median	**-14.41%**	**9.47%**	**1.52%**	**6.61%**	**8.31%**
Cash	**4.14%**	**4.23%**	**3.41%**	**2.28%**	**3.53%**

Ranking within sector (p.a.)

Ranking within Sector	1 Yr	2 Yrs	3 Yrs	5 Yrs
Fund Ranking	12 / 55	16 / 53	24 / 52	22 / 48
Quartile	1st	2nd	2nd	2nd

Absolute risk

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Standard Deviation (% p.a.)					
Investment	18.01%	14.89%	16.52%	17.38%	16.91%
Benchmark	14.98%	13.91%	16.80%	17.07%	17.79%
Median	13.28%	12.52%	14.63%	15.63%	15.66%
Downside Deviation (% p.a.)					
Investment	15.47%	9.79%	11.90%	12.52%	11.47%
Benchmark	13.78%	8.86%	12.26%	12.20%	12.92%
Median	12.70%	8.12%	10.67%	11.29%	11.14%

Absolute risk/return ratios

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Sharpe Ratio (p.a.)					
Investment	-0.74	0.45	-0.05	0.36	0.44
Benchmark	-1.24	0.42	-0.17	0.21	0.11
Median	-1.40	0.42	-0.13	0.28	0.31
Sortino Ratio (p.a.)					
Investment	-0.86	0.68	-0.07	0.50	0.65
Benchmark	-1.34	0.65	-0.23	0.30	0.15
Median	-1.46	0.65	-0.18	0.38	0.43

Investors should note that Yarra took over management for the Fund in December 2018. As such, the Fund's performance prior to this date should not be considered when assessing Yarra's performance in managing the Fund.

All commentary below is as at 31 January 2026.

The Fund's investment objective is to outperform the S&P/ASX Small Ordinaries Accumulation Index (after fees) over rolling five-year periods. Internally, Yarra seeks to outperform the benchmark by 5% p.a. (before fees) over the same time period.

While Yarra has not achieved its internal investment objective since assuming responsibility for the Fund, it has materially outperformed the benchmark over the same period.

The Fund's volatility, as measured by Standard Deviation, has been broadly in line with the benchmark since Yarra assumed management of the Fund.

The Fund's Sharpe Ratio has been higher than the benchmark since Yarra assumed management of the Fund, which indicates that investors have been sufficiently compensated for its risk.

Investors should be aware that Yarra does not target a specific level of income returns for the Fund, with distributions made quarterly where possible.

Relative performance

Excess returns

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Excess Return	5.20%	0.83%	1.96%	2.68%	5.49%
Monthly Excess (All Mkts)	50.00%	52.78%	55.00%	59.17%	61.99%
Monthly Excess (Up Mkts)	40.00%	40.91%	43.75%	52.86%	54.04%
Monthly Excess (Down Mkts)	57.14%	71.43%	67.86%	68.00%	73.64%

Capture ratios (% p.a.)

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Downside Capture	86.33%	84.66%	86.25%	86.15%	77.41%
Upside Capture	112.15%	93.32%	94.59%	99.49%	101.39%

Tracking error (% p.a.)

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	9.95%	7.05%	6.57%	5.97%	6.55%
Median	3.80%	2.91%	3.38%	3.13%	4.30%

Information ratio

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	0.52	0.12	0.30	0.45	0.84
Median	-0.01	-0.19	0.26	0.22	0.66

Beta statistics

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Beta	1.00	0.94	0.91	0.96	0.88
R-Squared	0.69	0.78	0.85	0.88	0.86
Correlation	0.83	0.88	0.92	0.94	0.93

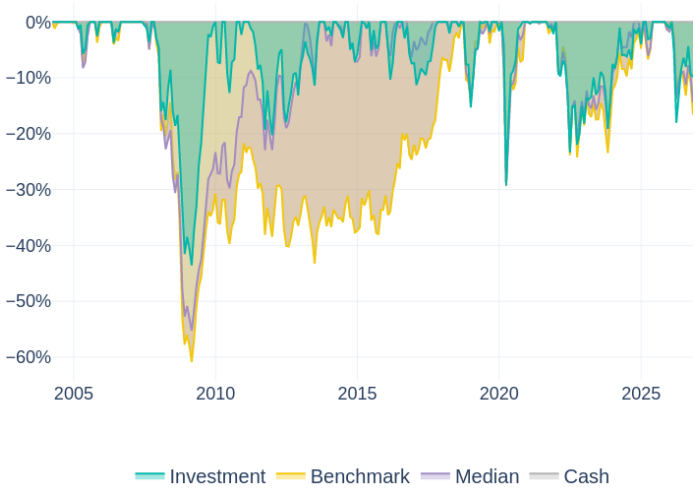
All commentary below is as at 31 January 2026.

Zenith seeks to identify strategies that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill. In addition, we view a strategy's ability to produce stronger upside capture ratios relative to downside capture ratios as an attractive feature. Pleasingly, the Fund has achieved both of these outcomes since Yarra assumed management of the Fund.

The Fund has achieved greater outperformance consistency in declining markets, which we believe is consistent with Yarra's focus on quality during its investment process.

Drawdown analysis (since inception)

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



All commentary below is as at 31 January 2026.

Since the Fund's change in investment manager, it has generally exhibited drawdowns broadly in line with the benchmark.

Fund commentary

Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

Key person risk: Zenith would consider the departure of Dion Hershan or Katie Hudson as a material loss, triggering an immediate review of our rating on the Fund. However, we believe the equity stakes that Hershan and Hudson hold mitigate the risk of a departure over the medium term.

Capacity risk: Zenith believes that high levels of funds under management (FUM) can inhibit a manager's ability to trade portfolio positions effectively and therefore limit outperformance potential. Yarra has advised that the combined capacity for the Small Companies strategy and the Emerging Leaders strategy (excluding securities within the S&P/ASX 100 Index) is 0.70% of the market capitalisation of S&P/ASX Small Ordinaries Index (approximately $A 3.2 billion, as at 31 January 2026). Yarra has flagged that at 0.60% of the benchmark (approximately $A 2.8 billion as at 31 January 2026), the Fund would be closed to new investors.

As at 31 January 2026, Yarra managed approximately $A 3 billion across these two strategies (excluding securities within the S&P/ASX 100 Index). Given the current level of FUM, Zenith will continue to monitor the Fund's liquidity and excess return generation to ensure that increasing levels of FUM do not begin to negatively impact performance.

Relative performance risk: Given that Yarra follows a benchmark-unaware investment approach, the Fund's performance may diverge substantially from the benchmark and peers.

Focus risk: In addition to this Fund, Hudson co-manages Yarra's Emerging Leaders Fund. Whilst Zenith acknowledges that there is significant overlap between the strategies, we believe the additional responsibilities may dilute Hudson's attention towards the strategy.

Security/asset selection

The Fund's investment universe typically includes constituents of the S&P/ASX Small Ordinaries Index and Australian listed companies with a minimum free float market capitalisation of $A 200 million.

Unlike many peers, Yarra does not apply quantitative screens to highlight companies that rank favourably based on financial ratios. Analysts are responsible for the coverage of all companies within their respective sectors, with companies placed into the following categories:

- High impact – securities held in Yarra's portfolios or representing a significant portion of the benchmark
- High interest – securities that have the potential to be included in the portfolio
- Watch list – securities that are not an immediate priority, however, are monitored and have the potential to be included in the portfolio

Securities are placed in the 'High Interest' and 'Watch List' categories if analysts believe they can identify unique company insights that would provide Yarra with a differentiated view relative to the market. Insights are developed through company, value chain, and broader industry analyses. Zenith believes that by actively seeking investment opportunities that are yet to be recognised by the market, the Yarra is well-positioned to capitalise on changing market dynamics.

Idea generation and individual analyst research agendas are driven by Hershan and Hudson, who meet analysts at least weekly to discuss their upcoming agenda.

Yarra's investment team is expected to conduct approximately 1,600 company meetings per year. Analysts actively engage with company management, competitors, suppliers and customers to gain a heightened understanding of the factors impacting the market. The team also engages with brokers to understand the market's expectations for specific industries and companies. Zenith views the active engagement of analysts with a variety of industry participants favourably and believes this approach provides analysts with a deeper understanding of industry dynamics.

When developing a company's valuation, analysts consider a range of valuation methodologies including discounted cash flow analysis, free cash flow yields, price-to-earnings ratios, and other industry-specific valuation methods. Analysts apply a discounted cash flow model across all industries, with further valuation methodologies determined based on the industry in which a company operates.

The output of the research process is a one-page investment thesis articulating the valuation, risks and catalysts of a company. This analysis facilitates a peer-review process occurring during the morning and portfolio meetings. An important and differentiating aspect of the research output is the categorisation of securities into different payoff horizons (internally referred to as phases):

- Phase 1 - High degree of visibility around earnings and key events - expected payoff in six to twelve months
- Phase 2 - Supportive industry and company trends, however no definitive near-term catalysts - expected payoff in one to three years
- Phase 3 - Clear value opportunity, however no insight or certainty in near-term financials - expected payoff uncertain

The segregation of the investment universe based on expected payoff horizons enables the team to consider mispricing opportunities across varying investment timeframes, to assist in capturing the inefficiencies created by the short-term focus of many market participants.

Zenith believes Yarra's standardised approach to security analysis is intuitive and results in a consistent and detailed framework to identify ideas.

Responsible investment approach

Yarra has an established Responsible Investment Policy, last updated in 2025.

To be in line with industry best practice, Zenith believes Yarra's Responsible Investment Policy should be reviewed every 12 months, at a minimum, to reflect the constantly evolving nature of responsible investing.

Further to the Fund's environmental, social and governance (ESG) screens, Yarra takes an active approach to ESG issues. ESG is evaluated as part of the team's fundamental analysis process, with analysts including an ESG score in each company's written assessment. Implications of material ESG issues are included in the valuation of each company, typically through added operating expenses or an increase in a company's weighted average cost of capital. Where ESG issues are deemed to be significant, they may preclude a company from investment. Erin Kuo, as Chief Sustainability Officer, works closely with Yarra's investment teams to support ESG integration in its investment processes.

Zenith believes that this qualitative analysis of a company's operations is crucial on a forward basis, given that a company's performance with regards to ESG considerations is increasingly being reflected in its share price. Overall, Zenith is comfortable with Yarra's approach to ESG.

Portfolio construction

Portfolio construction and position sizing are driven by Hudson and Steele, who draw on the fundamental research process conducted by the analysts. Particular emphasis is given to liquidity, the nature of the analyst's insight, portfolio interaction and management quality.

In constructing the portfolio, the portfolio managers seek to create a balance across investment styles (value and growth) and investment timeframes, believing that stock-specific insights drive investment outcomes and should be capable of delivering outperformance across the full market cycle. Yarra places a significant emphasis on risk and, as a result, the portfolio managers seek to diversify the portfolio such that no single factor dominates the investment outcome.

Stocks are categorised based on Yarra's assessment of risk characteristics and expected payoff. A stock's risk is defined as low, medium or high, with expected payoff categories of 10%, 20% or 30%. Companies assessed as having high payoff with low risk are assigned initial active weights in excess of 4%, whilst companies with low risk and low payoff, or high risk and high payoff, are assigned active weights less than 2%. Zenith has reviewed Yarra's target weighting guidelines and, whilst noting that it is not used as a final determinant of security weights, we believe it provides a strong link to the security selection process.

The resultant portfolio holds 30 to 60 securities.

While the Fund has a formal maximum cash limit of 10%, Yarra endeavours to remain close to fully invested, with cash averaging approximately 4% over the past five years. Zenith believes actively managed funds should be fully invested and that allocations to cash should be maintained at a minimum.

Positions will be exited in the following circumstances:

- The investment thesis is invalidated
- The position becomes overvalued
- A better relative value opportunity is identified

Yarra is required to remove positions from the Fund that progress into the S&P/ASX 100 Index within 12 months of graduation. Zenith has a favourable view of this approach as it ensures the Fund remains a true small-cap exposure and allows Yarra flexibility regarding the timing of disposal.

Portfolio turnover is expected to average 40% p.a. to 60% p.a. over a market cycle, which Zenith considers to be low to moderate.

Zenith is comfortable with Yarra's portfolio construction approach and believes it ensures a connection between the output of its security selection process and the resultant weight of the stock in the Fund.

Risk management

Consistent with its emphasis on understanding and managing the risks of the portfolio, Yarra has implemented a strict risk management framework throughout the investment process.

The Fund operates within a highly disciplined framework at the stock selection stage. In Zenith's view, this is an inherent risk management measure as it ensures that a range of individual stock-specific risks are taken into account before an investment is made.

Yarra uses Axioma portfolio risk management to assess the portfolio's risk metrics. Whilst this highlights the Tracking Error of the portfolio, it decomposes each security's contribution to the active risk in the portfolio using different methodologies. Risk software is typically run daily or when dictated by changing market conditions.

While Zenith appreciates that a broad investment mandate is consistent with the Fund's investment objectives, investors should be aware that there is a significant reliance on management judgement and skill.

Investment fees

	Fund	Sector Average
Total Fees and Costs (RG 97)	2.02% p.a.	1.70% p.a.
Management Fees and Costs	0.85% p.a.	1.00% p.a.
Transaction Costs	0.00% p.a.	0.10% p.a.
Performance fees as at 30 Jun 2025	1.17%	0.74%
Performance fees description	20% of outperformance of the S&P/ASX Small Ordinaries Accumulation Index (after fees), subject to recouping of underperformance	
Management Cost	0.85% p.a.	1.05% p.a.
Buy / Sell spread	0.45% / 0.45%	0.27% / 0.27%

All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).

The sector average management cost is based on the average management cost of all flagship Australian Shares - Small Companies products surveyed by Zenith.

The performance fee will only be payable when positive relative returns (after fees) are achieved over the relevant time period. The performance fee is accrued daily and paid quarterly. Zenith believes there is scope for the payment period to be extended, with an annual frequency being the preferred structure. We are of the view that a longer payment frequency is better aligned with the Fund's longer-term investment objectives.

For any fund that charges a performance fee, Zenith would prefer an additional excess return hurdle (i.e. a target return greater than the index plus the management cost) and considers this best practice.

Overall, Zenith believes the Fund's fee structure is fair, relative to peers, given its stated objectives. In addition, we believe the fees paid over the past three years (ending 30 June 2025) are justified given the Fund's risk-adjusted performance over the same period.

The fees mentioned above are reflective of the flagship version only and may differ when the product is accessed through an alternate investment vehicle such as a platform.

About the fund manager

Organisation

Yarra Capital Management (Yarra) is a Melbourne-based fund manager offering a range of active investment strategies across Australian equities, global equities, and fixed income.

Yarra was established in 2017 following the management buyout of Goldman Sachs Asset Management's Australian-focused investment capabilities and operating platform, backed by TA Associates, a global private equity firm with a strong track record of investing in funds management businesses.

In April 2021, Yarra completed the acquisition of Nikko Asset Management, which included Tyndall Asset Management (Tyndall). In early December 2025, Yarra announced the closure of Tyndall's large-cap business and the transition of its investment management responsibilities to Yarra, effective January 2026.

Amova Asset Management retains a minority equity stake in the combined business.

As at 31 May 2026, Yarra managed approximately $A 19billion in assets across its investment strategies.

UBS Asset Management

UBS is a publicly listed global financial services company headquartered in Basel and Zürich, Switzerland. It provides investment banking, asset management, and wealth management services for private, corporate, and institutional clients worldwide, as well as retail clients in Switzerland. UBS was originally an abbreviation for the Union Bank of Switzerland, one of its predecessors. However, after the merger with Swiss Bank Corporation, all business groups re-branded under the UBS name in 2003.

The asset management business, UBS Asset Management (UBS AM), offers investment products across all major traditional and alternative asset classes including equities, fixed income, currencies, hedge funds, real estate, infrastructure and private equity.

UBS AM is one of the largest asset management firms in the world, with invested assets totalling approximately $US 3 trillion, as at 31 January 2026. UBS AM is located in 23 countries with main offices in Chicago, Hong Kong, London, New York, Shanghai, Singapore, Sydney, Tokyo and Zürich.

In June 2023, UBS completed the acquisition of Credit Suisse Group (Credit Suisse). Zenith highlights that merging two comparable financial institutions has the potential to contribute to staff instability and operational consolidation. In our opinion, these risks are expected to remain over the short to medium term, as the two businesses progress further along the path of integration. However, Zenith does not expect a change to the focus and operation of UBS Asset Management over the medium term. Notwithstanding this, we will continue to monitor the integration of the two businesses moving forward.

As at 31 January 2026, Yarra managed $A 2.2 billion in the strategy, including $A 178 million in the Fund.

Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Dion Hershan	Head of Australian Equities	21	20	Melbourne, Australia
Katie Hudson	Head of Australian Equities Research	28	18	Melbourne, Australia
Michael Steele	Co-Portfolio Manager	18	18	Melbourne, Australia

Yarra's Melbourne-based equities investment team is led by Dion Hershan. Hershan is directly supported in the management of the team by Katie Hudson. Hudson and Michael Steele are responsible for the management of the Fund.

Hudson previously worked as an equity research analyst and portfolio advisor to individually managed accounts, while Michael Steele previously worked at Goldman Sachs Asset Management. Zenith believes Hudson and Steele are highly capable investors who have the requisite experience to successfully manage the Fund.

Hudson and Steele are supported by Yarra's Australian equities team, which consists of a further 12 investment professionals. All members of the investment team have research responsibilities divided across sector lines. In addition, Zenith notes that the investment team has broader research coverage across the market cap spectrum.

The team also leverages the experience and expertise of Tim Toohey, Head of Macro and Strategy, and Yarra's fixed income team in order to gain a full understanding of factors that may impact company fundamentals. Zenith believes this resource is advantageous, given the insights it can provide on macroeconomic conditions.

Team interaction occurs frequently, with the investment team meeting on a daily basis to facilitate discussions regarding the broader economy as well as individual securities. Hershan and Hudson collaborate with the investment team throughout the research process, meeting with the analysts on a weekly basis.

Portfolio meetings are held fortnightly, at which time stock attribution and overall risk exposures are discussed.

Yarra's remuneration structure comprises a base salary and performance bonus. Bonuses are discretionary in nature and are determined primarily following an assessment of fund performance, analyst stock calls and broader team contribution. Bonuses are paid in cash up to a predefined threshold, above which the balance is vested over three years to assist in staff retention. In addition, Zenith notes that the majority of the investment team holds equity in the business.

Zenith views the investment team's experience and stability favourably.

About the sector

Sector characteristics

The Zenith 'Australian Shares – Small Companies' sub-asset class consists of long-only strategies investing in Australian equities across the small capitalisation (small-cap) spectrum. Companies that fall between the S&P/ASX 100 and S&P/ASX 300 are considered small-cap companies. This is a competitive sector of the investment landscape, given the growth in the number of managers and strategies available to investors. Over the long term, active management has historically demonstrated a strong ability to outperform a passive index in this sector.

Zenith benchmarks all funds in this sector against the S&P/ASX Small Ordinaries Index. However, investors should be aware that strategies in this sector can have varying allocations to the micro-cap universe, i.e. ex-S&P/ASX 300 stocks. The S&P/ASX Small Ordinaries Index is market-capitalisation weighted, resulting in those companies with the largest market capitalisations receiving the heaviest weighting.

The Australian equities asset class, as represented by the S&P/ASX 300 Index, is highly concentrated and narrow. As at 31 January 2026, the Financials and Materials sectors represented a significant portion of the S&P/ASX 300 Index, with the Financials sector accounting for approximately 34% and Materials approximately 19%. In addition, the top 10 stocks represented approximately 47% and the top 20 stocks represented approximately 61%.

The S&P/ASX Small Ordinaries Index is less concentrated than the S&P/ASX 300 Index. As at 31 January 2026, the Materials and Consumer Discretionary sectors represented 25% and 15% respectively of the S&P/ASX Small Ordinaries Index, with the top 10 stocks totalling 15% and the top 20 stocks totalling 26%. Although the small-cap sector is more diversified by constituents and sectors, it comprises companies with less diversified businesses and assets. As such, a higher degree of volatility is expected of the sector relative to its large-cap counterparts.

Sector risks

Products within the 'Australian Shares – Small Companies' sub-asset class are exposed to the following broad risks:

Market risk and economic risk: A sustained downturn across the Australian equity market is a risk to the absolute performance of funds in the sector. Additionally, changes in economic, social, technological or political conditions, as well as market sentiment, could also lead to negative fund performance. Furthermore, the small-cap sector tends to underperform the large-cap sector in market downturns due to its higher "beta" characteristic. The Materials sector represented 25% of the S&P/ASX Small Ordinaries Index (as at 31 January 2026). Resources companies are highly correlated to commodity prices, as such, a fall in commodity prices is likely to have a negative impact on performance returns.

This risk can be significantly reduced by investors adhering to a fund's prescribed investment timeframe.

Specific security risk: This is the risk associated with an individual security. The price of common shares in a company may be affected by unexpected changes in company operations such as changes in management or the loss of a significant customer.

Liquidity risk: This is the risk that a security or asset cannot be traded promptly, due to insufficient trading volumes in the Australian equity market. When trading volumes are low, buyers/sellers can significantly impact the price of a security when entering or exiting a position.

Style bias risk: Australian equity managers employ different investment styles such as Growth, Value or Neutral (a combination of Value and Growth). Each style is conducive to certain market conditions. This risk can be significantly reduced by investors adhering to a fund's prescribed investment timeframe.

Capacity/liquidity risk: High levels of funds under management (FUM) can present additional challenges to an Australian equity manager. High FUM has the potential to restrict a manager's ability to trade efficiently and/or be forced to disclose substantial shareholdings to the market (most common in smaller companies).

Zenith is cognisant that assessing FUM capacity as a percentage of market capitalisation is a relatively crude measure and that capacity constraints can vary depending on the underlying investment style and approach. Zenith will, therefore, assess capacity limits for each manager and strategy on an individual basis.

Regulatory risk: All investments carry the risk of being affected by changes to government policies, regulations and laws. Security prices in which funds may have exposure are also subject to certain risks arising from government intervention in the Australian equity market. Such regulation or intervention could adversely affect fund performance.

Administration and operations

Responsible Entity	UBS Asset Management (Australia) Ltd

Zenith rating

Report certification

Date of issue: 23 Nov 2026

Role	Analyst
Analyst	Quan Nguyen

Role	Analyst
Sector Lead	Stephen Colwell
Authoriser	Grant Kennaway

Association & relationship

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Rating history

As At	Rating
23 Nov 2026	Recommended
14 Aug 2026	Under Review
26 Feb 2026	Recommended
27 Feb 2025	Recommended
27 Feb 2024	Recommended
31 May 2023	Recommended
01 Mar 2023	Recommended
24 Feb 2022	Recommended
15 Mar 2021	Recommended
25 Feb 2021	Recommended

Last 5 years only displayed. Longer histories available on request.

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.

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