YARRA CAPITAL MANAGEMENT

Investment Commentary
Month to 31 October 2026

Yarra Ex-20 Australian Equities Fund

Gross returns as at 31 October 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	5.84	0.13	0.98	-8.41	9.49	5.89	7.29	7.47
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.26	-1.35	0.25	-7.61	10.60	4.43	N/A	N/A
Excess return (before fees)‡	-0.42	1.48	0.73	-0.80	-1.11	1.46	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 October 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	4.89	0.06	0.75	-9.23	8.51	4.95	6.26	6.31
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.26	-1.35	0.25	-7.61	10.60	4.43	N/A	N/A
Excess return (after fees)‡	-1.38	1.40	0.50	-1.62	-2.09	0.51	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

Australian equities advanced modestly over the month.

The S&P/ASX 300 Ex-20 Accumulation Index returned -1.3% for the quarter, taking its 12-month return to -7.6%. The broader S&P/ASX 300 Accumulation Index returned +1.1%, whilst globally, the MSCI World Index delivered -0.8% for the month.

Financials (+4.5%) was the largest contributor, led by Insurance Australia Group (IAG, +10.8%), ASX (ASX, +12.9%) and HUB24 (HUB, +14.9%).

Consumer Discretionary (+6.0%) contributed positively, supported by Light & Wonder (LNW, +15.0%), The Lottery Corporation (TLC, +11.3%) and Flight Centre Travel Group (FLT, +9.7%). LNW and TLC rose on higher lottery earnings.

Utilities (+9.3%) and Health Care (+2.7%) advanced, led by Origin Energy (ORG, +11.4%), ResMed (RMD, +11.0%) and Pro Medicus (PME, +19.7%).

Real Estate (+2.4%) and Consumer Staples (+6.7%) also contributed, supported by Charter Hall Group (CHC, +9.3%), Treasury Wine Estates (TWE, +13.0%) and Endeavour Group (EDV, +12.6%).

Communication Services (+4.0%) rose, led by CAR Group (CAR, +9.5%) and Seek (SEK, +13.0%).

Materials (-11.0%) was the largest detractor due in part to the AI related sell off, as commodities fell during the month. PLS Group (PLS, -31.6%), Evolution Mining (EVN, -11.9%) and South32 (S32, -14.2%) all declined.

Information Technology (-2.7%) detracted as concerns grew on the execution and scale of AI capex spending. NextDC (NXT, -45.8%) and Megaport (MP1, -14.7%) retreated 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.

Industrials (-1.1%) weakened, driven by NRW Holdings (NWH, -20.6%) and MAAS Group (MGH, -45.6%). MGH declined on

concerns over its exposure to Firmus Technologies following the firm's failed IPO.

Energy (-1.2%) declined, with Ampol (ALD, -13.2%) and Paladin Energy (PDN, -21.3%) offsetting Santos (STO, +7.3%).

Portfolio review

Key Contributors

Challenger (CGF, overweight) – the portfolio's overweight position in CGF 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.

Origin (ORG, overweight) – the energy retailer and integrated LNG producer outperformed during the period as the global oil price and wholesale electricity prices recovered amid the company's release of a strong 1Q27 update. The quarterly update was highlighted by the acceleration in cash generation at APLNG and reiteration of full year guidance. We see positive catalysts and upside ahead for all three of ORG's major assets; Energy Markets, APLNG and Octopus Energy.

ResMed (RMD, overweight) – the sleep apnea treatment company rose during October 2026, outperforming the broader Australian market. The strength reflected improving investor confidence in its underlying sleep-health business, expectations of a strong quarterly result and capital management execution (share buy-back). Expectations were supported with RMD launching a new mask (the AirTouch F40 full-face fabric) in the US, reinforcing the company's product innovation credentials and its ability to grow through improvements in mask comfort, usability and patient adherence.

Key Detractors

NextDC (NXT, overweight) – the leading Australian data centre owner and developer detracted during the month after a delay to the power connection at its M3 Melbourne campus led management to remove the affected contracts from FY27 guidance. While concerns over disclosure and funding weighed on the stock, we view the delay as a matter of timing rather than lost value. NXT remains our preferred listed data centre exposure, with a 565MW contracted order book, strong customer relationships and ample liquidity to fund its delivery.

Capstone Copper (CSC, overweight) – the copper producer underperformed during October. While copper prices increased marginally (+0.6%), the company's September 2026 quarterly report was soft, with production 6% below consensus expectations due to outages at the Pinto Valley mine. 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.

Sims Group (SGM, overweight) – the scrap steel and cloud computing recycler underperformed during October on increasing concerns around the rate of data centre roll-outs. We believe these concerns are overdone for SGM's SLS cloud recycling business. We believe SLS will continue to drive earnings higher. Longer term, we see upside for scrap demand given its use in lower-emissions Electric Arc Furnace steelmaking operations.

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 underweight Industrials, Financials and Real Estate.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	14.93	3.48	11.44
Consumer Discretionary	6.03	5.71	0.32
Consumer Staples	4.26	2.60	1.66
Energy	4.58	6.20	-1.62
Financials	9.15	15.24	-6.09
Health Care	6.57	10.29	-3.72
Industrials	0.00	11.93	-11.93
Information Technology	6.10	5.74	0.37
Materials	32.44	25.25	7.19
Real Estate	3.57	9.58	-6.00
Utilities	9.67	3.99	5.68

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Origin Energy	6.66	2.03	4.63
ResMed	6.01	1.95	4.06
Santos	4.58	2.89	1.69

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	6.66	2.03	4.63
ResMed	6.01	1.95	4.06
Northern Star	4.00	0.00	4.00
Underweights			
Computershare	0.00	2.26	-2.26
Suncorp Group	0.00	2.00	-2.00
IAG	0.00	1.98	-1.98

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Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	-12.04	6.24	2.72	3.75
Distribution return	2.81	2.27	2.23	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$128.3 mn as at 31 October 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.

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