Product Assessment

Report as at 23 Nov 2026

Zenith RECOMMENDED

Yarra Microcap Fund

Rating issued on 23 Nov 2026 | APIR: UBS0057AU

Investment objective

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

Manager	Yarra Capital Management Group
Distributor	UBS Asset Management
Sector	Australian Shares \ Micro Cap 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 Emerging Companies
Redemption Frequency	Daily
Income Distribution	Half Yearly
Fund Size (31 Aug 2026)	$245.99M
Management Cost	1.20% p.a. Incl. GST
Performance Fee	20% of outperformance of the S&P/ASX Small Ordinaries Accumulation Index (after fees), subject to recouping underperformance
Buy / Sell Spread	0.50% / 0.75%
Inception Date	12 Aug 2014

Fund facts

- Typically holds between 35 and 65 stocks
- Maximum cash exposure of 25% permitted
- Portfolio turnover expected to average between 30% p.a. and 50% p.a. over a market cycle

Viewpoint

The Fund, managed by Yarra Capital Management (Yarra) and distributed by UBS Asset Management (UBS AM), provides a relatively diversified and style-neutral exposure to Australian micro-cap companies. Zenith's conviction in the Fund is underpinned by its investment approach, which we believe is intuitive and consistently applied. However, we believe the Fund would benefit from additional dedicated analytical resources.

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%.

Sydney-based Joel Fleming is ultimately responsible for the Fund, who has been involved in its management since 2014, initially at UBS AM. In December 2018, responsibility for the Fund was transitioned from UBS AM to Yarra. Zenith believes Fleming has the requisite skills and experience to manage the Fund.

Dedicated support is provided by an analyst, with broader support provided by Yarra's Melbourne-based Australian equities team, which consists of an additional 14 members. Zenith considers the investment team dedicated to this Fund to be small relative to peers. As such, we believe it would benefit from additional dedicated analytical resources.

The Fund's investment philosophy is based on the premise that periodically there are exploitable discrepancies between the market price and intrinsic value of securities. Yarra believes that a security's intrinsic value is primarily determined by the fundamentals that drive the security's future cash flows. Zenith believes that Yarra applies a logical and repeatable investment approach.

The security selection process begins with industry analysis, with a focus on industry structure, industry economics and profitability. The purpose of industry analysis is the generation of industry-wide assumptions and indicators that are used during the stock modelling process. The team models profit and loss, balance sheet and cash flows for each company. These assumptions feed into a valuation assessment, with a discounted cash flow analysis applied. Zenith considers the stock research process to be thorough and robust.

Fleming constructs the Fund without reference to the benchmark, drawing upon the output of the stock selection process. Portfolio construction is primarily driven by a company's valuation, investment thesis risk and liquidity. Zenith believes the Fund's portfolio construction approach is highly transparent and follows a repeatable process, resulting in a portfolio that is reflective of Yarra's best investment ideas.

This document has been prepared by Zenith. Zenith's Financial Services Guide is available at https://www.zenithpartners.com.au/important-information/financial-services-guide/ and full details regarding Zenith's contact details, research processes, ratings information and conflicts of interest are available at https://www.zenithpartners.com.au/our-solutions/investment-research/fund-research-regulatory-guidelines/

Fund analysis

Fund characteristics

Constraint	Value
Security Numbers	35 to 60
Active Stock Weight	Max: 10%
Market Capitalisation	Max: $A 250 million (at initiation)
Cash	Max: 25%

Investment objective and philosophy

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

Yarra's investment philosophy is based on the premise that periodically there are exploitable discrepancies between the market price and intrinsic value of securities due to market behaviour. The most common behavioural errors include overreactions to short-term noise and underreactions to structural changes at an industry and stock level.

Yarra believes that a company's intrinsic value is primarily determined by the fundamentals that drive the company's future cash flows.

Specifically for micro-cap companies, Yarra favours companies that exhibit:

- Sustainable growth in earnings
- Free cash-flow quality
- Balance sheet strength

Zenith believes that Yarra applies a logical and repeatable investment approach.

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. Therefore, it is recommended that investors adopt a longer time frame when investing in equities.

For investors seeking to achieve a well-blended exposure to Australian equities, Zenith suggests Australian micro-cap funds are best used as a complement to a small companies fund and in combination with large capitalisation Australian equities funds.

Zenith considers micro-cap funds as most appropriate for investors seeking a high growth based investment. Given the high risk nature of the Fund, Zenith believes investors should be prepared to invest with an investment horizon of at least seven years.

Yarra employs a style-neutral investment approach that results in a relatively diversified and benchmark-unaware Australian micro-cap exposure.

The Fund's portfolio turnover is expected to average between 30% p.a. and 50% p.a. over a market cycle, which Zenith considers to be low to moderate. Yarra has indicated that approximately 50% of the expected turnover is attributed to resizing existing positions and approximately 50% is due to complete sales and new additions. 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 will 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

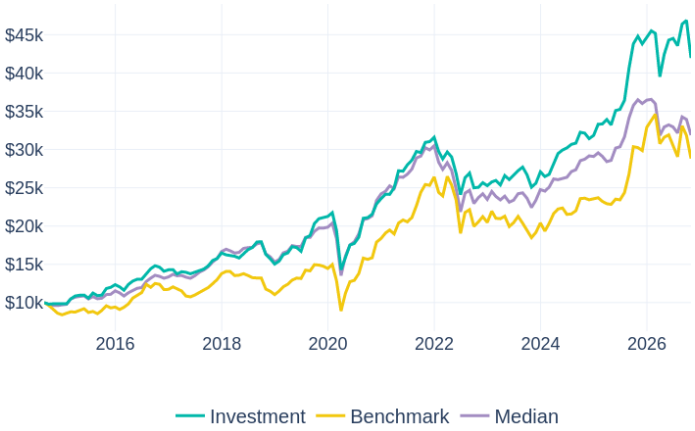
Monthly performance history (%, net of fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*	BM2 YTD**
2026	2.02%	-0.72%	-12.57 %	7.45%	4.37%	0.51%	-2.15%	6.48%	1.06%	-10.51 %			-5.96%	-12.40%	-14.30%
2025	4.57%	0.10%	1.77%	-2.09%	5.64%	0.45%	3.33%	11.48%	7.89%	2.25%	-2.22%	1.84%	40.07%	39.39%	24.96%
2024	-2.21%	1.03%	5.51%	4.42%	1.56%	0.91%	1.55%	0.54%	4.59%	-0.38%	-2.24%	1.37%	17.62%	15.70%	8.37%
2023	1.94%	0.76%	-2.25%	4.80%	-1.97%	2.19%	2.25%	1.70%	-3.59%	-6.10%	2.04%	5.80%	7.13%	-0.36%	7.82%
2022	-5.88%	-3.27%	3.16%	-2.19%	-7.45%	-10.34 %	9.24%	2.31%	-7.15%	0.25%	2.42%	-1.52%	-20.01 %	-22.50%	-18.40%

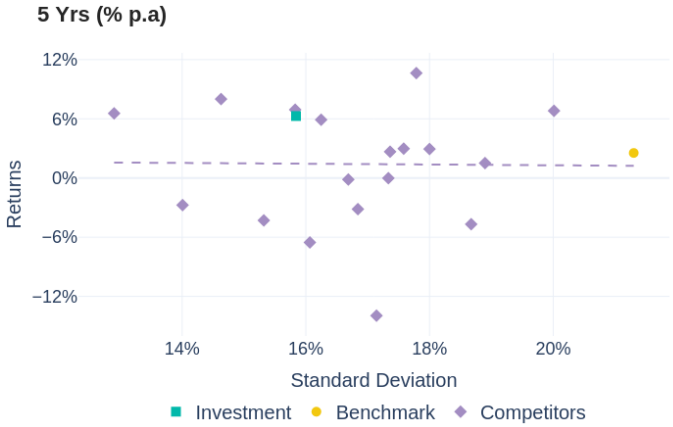
**S&P/ASX Emerging Companies*

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

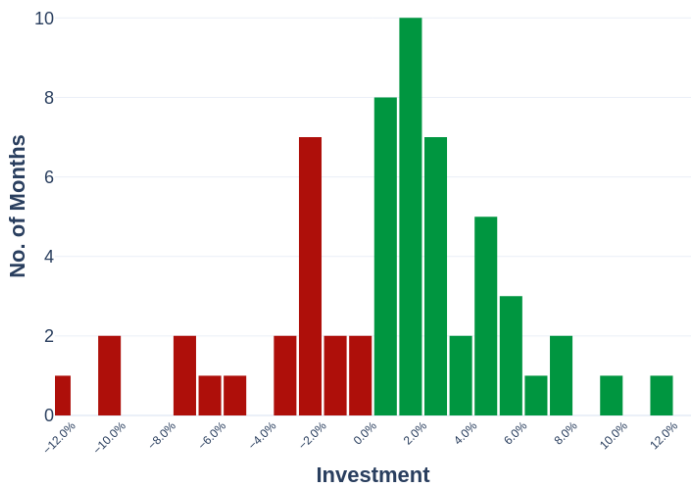
Growth of $10,000



Risk / return



Monthly histogram



Minimum and maximum returns (% p.a.)



Absolute performance analysis

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	**-6.36%**	**18.70%**	**6.28%**	**11.11%**	**12.51%**
Income	1.18%	1.56%	2.34%	4.67%	4.04%
Growth	-7.54%	17.14%	3.94%	6.44%	8.47%
Benchmark	**-4.72%**	**15.96%**	**2.54%**	**8.81%**	**9.09%**
Median	**-12.66%**	**12.44%**	**1.07%**	**9.03%**	**10.00%**
Cash	**4.14%**	**4.23%**	**3.41%**	**2.28%**	**2.29%**

Ranking within sector (p.a.)

Ranking within Sector	1 Yr	2 Yrs	3 Yrs	5 Yrs
Fund Ranking	5 / 16	3 / 16	5 / 16	5 / 16
Quartile	2nd	1st	2nd	2nd

Absolute risk

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Standard Deviation (% p.a.)					
Investment	20.06%	15.46%	15.84%	17.71%	16.76%
Benchmark	24.30%	18.78%	21.30%	23.19%	21.88%
Median	14.98%	12.31%	14.82%	17.13%	16.08%
Downside Deviation (% p.a.)					
Investment	16.69%	9.88%	11.12%	12.62%	11.62%
Benchmark	16.50%	10.33%	14.39%	15.59%	14.56%
Median	13.41%	7.93%	10.95%	12.23%	11.26%

Absolute risk/return ratios

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Sharpe Ratio (p.a.)					
Investment	-0.52	0.94	0.18	0.50	0.61
Benchmark	-0.36	0.62	-0.04	0.28	0.31
Median	-1.12	0.67	-0.16	0.39	0.48
Sortino Ratio (p.a.)					
Investment	-0.63	1.46	0.26	0.70	0.88
Benchmark	-0.54	1.14	-0.06	0.42	0.47
Median	-1.25	1.03	-0.21	0.55	0.68

For consistency purposes, Zenith benchmarks all funds categorised within our Micro Cap Companies sub-asset class against the S&P/ASX Emerging Companies Index. Accordingly, all performance and risk measurements are calculated with Zenith's assigned index. However, Yarra benchmarks the Fund against the S&P/ASX Small Ordinaries Accumulation Index.

Investors should note that although Joel Fleming has had portfolio management responsibilities for the Fund since 2014, it was managed under a notably different co-portfolio management structure until 2019. 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 Index (after fees) over rolling five-year periods. Internally, Yarra seeks to outperform the benchmark by 5% p.a. (before fees) over the same timeframe.

The Fund has met Yarra's internal investment objective over the most recent five-year period and since inception.

The Fund's volatility, as measured by Standard Deviation, has been less than its Zenith-assigned benchmark over all periods of assessment.

The Fund's Sharpe Ratio has been higher than its Zenith-assigned benchmark since inception, 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, with distributions made semi-annually where possible.

Relative performance

Excess returns

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Excess Return	-1.64%	2.75%	3.74%	2.30%	3.42%
Monthly Excess (All Mkts)	41.67%	50.00%	51.67%	50.00%	51.37%
Monthly Excess (Up Mkts)	33.33%	40.91%	34.38%	32.35%	32.53%
Monthly Excess (Down Mkts)	50.00%	64.29%	71.43%	73.08%	76.19%

Capture ratios (% p.a.)

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Downside Capture	76.10%	56.66%	60.08%	54.58%	48.58%
Upside Capture	65.67%	83.72%	74.88%	72.11%	71.91%

Tracking error (% p.a.)

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	14.95%	11.16%	11.71%	11.64%	11.76%
Median	13.56%	11.09%	10.50%	9.43%	9.78%

Information ratio

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	-0.11	0.25	0.32	0.20	0.29
Median	-0.59	-0.32	-0.14	0.02	0.09

Beta statistics

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Beta	0.65	0.66	0.63	0.67	0.65
R-Squared	0.62	0.65	0.71	0.76	0.72
Correlation	0.79	0.80	0.84	0.87	0.85

All commentary below is as at 31 January 2026.

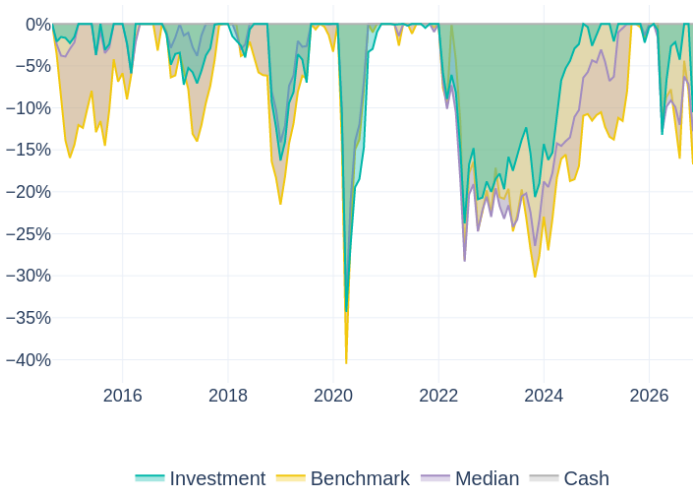
Zenith seeks to identify strategies that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill. In addition, we view a strategy's ability to produce stronger upside capture ratios relative to downside capture ratios as an attractive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

The Fund has demonstrated a greater propensity to outperform during declining markets compared to rising markets, which is expected given Fleming's focus on quality.

Yarra seeks to achieve the Fund's investment objective with a Tracking Error ranging between 8% p.a. and 12% p.a. Since its inception, the Fund's Tracking Error has remained near the upper end of Yarra's range.

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.

The Fund has generally demonstrated an ability to provide a degree of downside protection during declining markets. Given Fleming's focus on quality, Zenith considers this in line with expectations.

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: As with most investment managers, there is a key person risk associated with the Fund. Zenith would consider the departure of Joel Fleming a material loss to the Fund, warranting an immediate review of our rating. However, we note Fleming's equity ownership in Yarra, which mitigates the risk of his departure in the medium term.

Capacity risk: Excessive levels of funds under management (FUM) can inhibit a manager's ability to trade portfolio positions effectively, limiting outperformance potential. Yarra has a stated capacity limit for the strategy of 0.4% of the market capitalisation of the S&P/ASX Emerging Companies Index (approximately $A 330 million, as at 31 January 2026).

As at the same date, Yarra managed approximately $A 195 million in the strategy. Given the strategy's current FUM, Zenith does not consider capacity to be an issue. However, we will continue to monitor the strategy's level of FUM for signs that capacity may be impacting performance.

Focus risk: In addition to this Fund, Fleming is responsible for the UBS Australian Small Companies SIV Fund. Whilst Zenith acknowledges that there is some overlap between the strategies, we believe the additional responsibilities may dilute Fleming's attention towards the strategy.

Unlisted investment risk: The Fund may gain exposure to unlisted securities that are expected to list within six months of purchase. While unlisted securities offer investors the potential of extraordinary returns upon listing, Zenith believes they are subject to high levels of risk, in particular, the illiquidity profile that is associated with unlisted investments.

Specifically, in instances when unlisted security exposures form a significant portion of the Fund, this may result in the potential 'lock up' of the Fund due to the lack of sufficient assets to meet redemption requests. In addition, the Fund may be in a position where it is compelled to sell attractive positions at unfavourable prices to meet liquidity requirements. Unlisted investments are also subject to the lack of transparent pricing of the underlying companies. Valuations can be based on internal estimates or on historical costs.

The Fund has a formal limit of 5% in unlisted securities to ensure sufficient liquid assets are in the Fund. Zenith believes this limit is prudent to meet the liquidity requirements of the Fund.

Benchmark risk: Zenith notes that the Fund has a specific focus on micro-cap companies. However, the Fund is benchmarked against the S&P/ASX Small Ordinaries Accumulation Index. As such, Zenith highlights that the Fund's performance fee is not aligned with a benchmark that is reflective of its investment opportunity set.

Basis risk: The Fund may use SPI 200 Futures contracts to equitise cash holdings. Zenith notes that there are significant differences between the Fund's benchmark (S&P/ASX Small Ordinaries Index) and the SPI 200 Futures (S&P/ASX 200).

Currency risk: Investments in international markets are exposed to changes in the value of the Australian dollar (AUD) relative to foreign currencies, which may lead to increased levels of volatility. The Fund is permitted to invest in stocks listed on the Australian and New Zealand stock exchanges.

Security/asset selection

The Fund's investment universe comprises stocks listed on the Australian Securities Exchange, with market capitalisations less than $A 250 million. The Fund can also invest in companies listed on the New Zealand Securities Exchange, initial public offerings (IPOs) and unlisted companies that intend to list within the next 6 months.

The security selection process begins with industry analysis, with a focus on industry structure, industry economics and profitability. The purpose of industry analysis is the generation industry-wide assumptions and indicators that are used during the stock modelling process.

Company analysis starts with the construction of a company research note (CRN). The qualitative assessment comes appraises the following elements:

- Business assets
- Products
- Customers
- Suppliers
- Distribution channels
- Regulations
- Technology
- Company management and strategy
- Competitive positioning

Zenith considers the requirement to complete CRNs to be a strong feature of the process.

The team models profit and loss, balance sheet and cash flows for each company. These assumptions feed into a valuation assessment, with a discounted cash flow (DCF) analysis applied. The DCF measures four discrete stages, which in combination produce the company's intrinsic valuation:

- Stage 1: between year 1 and 6 the company is said to be generating 'normal cash flow'
- Stage 2: between year 6 and 10 the company is considered mid-cycle, generating normal cash flow growth with a constant payout ratio
- Stage 3: from year 11 onwards, competitive forces assume the growth rate moves to market average
- Stage 4: during the terminal period, the company transitions to market average and remains there into perpetuity

Fleming uses consolidated reported financial statement figures instead of modelling divisions separately, believing that the majority of small/micro-cap stocks do not diversify operations. Approximately 100 to 120 companies are actively modelled.

The DCF valuation of each company is compared with its market price, with companies ranked from most undervalued to least undervalued.

An investment thesis is prepared, that outlines the investment conclusion, analyst confidence level, critical assumptions and the sensitivity of the investment thesis to changes in underlying assumptions.

Zenith considers the stock research process to be thorough and robust.

Responsible investment approach

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

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

Fleming constructs the Fund without reference to the benchmark, drawing upon the output of the stock selection process.

Portfolio construction is primarily driven by a company's valuation, investment thesis risk and liquidity. Fleming's highest conviction positions are held at weights greater than 4%, while stocks with higher risk and less valuation upside are held up to 2% weights. The resultant portfolio holds between 35 and 60 stocks.

The Fund is permitted to hold up to 25% exposure to cash. While Zenith generally takes a negative view towards high cash weightings, we believe an elevated cash limit is required to manage the liquidity risks apparent in micro-cap stocks. In addition, cash holdings may be equitised with SPI 200 futures contracts, which should reduce the opportunity cost of holding cash. However, we note the basis risk arising through the use of index futures (S&P/ASX 200 compared to the micro-cap investment universe).

Fleming usually sells a stock under the following circumstances:

- The share price appreciates, eliminating its upside potential
- A violation of the investment thesis (e.g. a negative fundamental surprise)

Yarra has a relaxed sell discipline for stocks that appreciate up the market cap spectrum. Although a holding that graduates into the S&P/ASX 300 Index triggers Fleming to reconsider its place in the portfolio, the stock can still be held if it remains a compelling investment opportunity. Over the most recent five-year period, the Fund's exposure to constituents of the S&P/ASX 300 Index has averaged 13%. Zenith would prefer to see the application of formal constraint to ensure the Fund remains a true micro-cap exposure.

The Fund's portfolio turnover is expected to average between 30% p.a. and 50% p.a. over a market cycle, which Zenith considers to be low to moderate.

Zenith believes the Fund's portfolio construction approach is highly transparent and follows a repeatable process, resulting in a portfolio that is reflective of Yarra's best investment ideas.

Risk management

Consistent with its emphasis on understanding and managing the risks of the portfolio, Yarra has implemented a strict risk management framework that is present 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, thereby increasing Fleming's ability to identify unintended factor exposures and risks that could impact the portfolio. 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)	2.66% p.a.	2.27% p.a.
Management Fees and Costs	1.20% p.a.	1.16% p.a.
Transaction Costs	0.00% p.a.	0.01% p.a.
Performance fees as at 30 Jun 2025	1.46%	1.17%
Performance fees description	20% of outperformance of the S&P/ASX Small Ordinaries Accumulation Index (after fees), subject to recouping underperformance	
Management Cost	1.20% p.a.	1.20% p.a.
Buy / Sell spread	0.50% / 0.75%	0.34% / 0.35%

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 - Micro Cap Companies products surveyed by Zenith.

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.

Furthermore, 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 alternative 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 $A 3 trillion as at 31 December 2025. UBS AM is located in 23 markets with main offices in Chicago, Hong Kong SAR, 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.

In December 2018, Yarra was appointed the investment manager of the Fund.

As at 31 January 2026, Yarra managed approximately $A 195 million in the strategy, all of which was invested in the Fund.

Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Joel Fleming	Portfolio Manager	22	7	Sydney, Australia

Yarra's equities investment team is led by Dion Hershan. Hershan is directly supported in the management of the team by Katie Hudson.

Sydney-based Joel Fleming is ultimately responsible for the Fund, who has been involved in its management since 2014, initially at UBS AM. In December 2018, responsibility for the Fund was transitioned from UBS AM to Yarra. Fleming has held a number of small-cap related roles, including portfolio manager of the ING Emerging Companies Fund. Fleming subsequently joined UBS AM's team in October 2011 via UBS AM's acquisition of ING Investment Management Australia. Zenith believes Fleming has the requisite skills and experience to manage the Fund.

Fleming is directly supported by Josh Ginges, who joined the firm in January 2022. Ginges is dedicated to Yarra's SIV and microcap strategies.

Further support is provided by Yarra's broader Melbourne-based Australian equities team, which consists of an additional 14 members. 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.

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.

Whilst Zenith considers Fleming to be a strong investor, we consider the investment team dedicated to this Fund to be small relative to peers. As such, we believe the Fund would benefit from additional dedicated analytical resources.

About the sector

Sector characteristics

The Zenith 'Australian Shares - Micro Cap' sector consists of long-only funds investing in the Australian equity market's micro capitalisation (micro-cap) spectrum. Companies that fall outside the S&P/ASX 300 are considered micro-cap companies. These companies typically have a market capitalisation of less than $500 million and the sector comprises approximately 1,600 listed companies with a combined total value of circa $150 billion. Over the long term, active management in this sector has historically demonstrated an ability to significantly outperform a passive index given that it is an "under-researched" segment of the market.

Zenith benchmarks all strategies in this sector against the S&P/ASX Emerging Companies Index. However, investors should be aware that funds in this sector can have varying allocations to the small companies universe (i.e. S&P/ASX 100 - S&P/ASX 300 stocks) and ASX-listed stocks that fall outside the S&P/ASX Emerging Companies Index. The S&P/ASX Emerging Companies Index is market capitalisation weighted, resulting in those companies with the largest market capitalisation 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 2025, 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 Emerging Companies Index is less concentrated than the S&P/ASX 300 Index. As at 31 January 2025, the Materials and Information Technology sectors represented 30% and 14% respectively in the S&P/ASX Emerging Companies Index, with the top 10 stocks totalling 21%. Although the micro-cap sector is more diversified by constituents and sectors, it comprises companies with less diversified businesses and assets.

Specifically, the S&P/ASX Emerging Companies Index is represented by a large weighting to the Resources sector. A significant proportion of these resource companies are classified as exploration companies that are not cash flow positive in many cases. These companies can be highly volatile, and their success or failure is linked to whether (or not) a resource body is discovered. As such, a higher degree of volatility is expected in micro-cap companies relative to mid-cap and large-cap counterparts.

Sector risks

Products within the 'Australian Shares – Micro Cap 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 micro-cap sector tends to underperform the large-cap sector in market downturns due to its higher 'beta' characteristic. The Materials sector represented 30% of the S&P/ASX Emerging Companies index (as at 31 January 2025). Resource companies are highly correlated to commodity prices, as such, a fall in commodity prices is likely to have a negative impact on performance returns.

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.

Concentration risk: Many micro-cap funds tend to be concentrated and high conviction, with relatively flexible risk management constraints. Performance may diverge from the index and competitors over the short term.

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 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).

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
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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