Yarra Australian Equities Fund

Gross returns as at 28 February 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Australian Equities Fund	-2.43	-1.47	8.92	9.21	8.84	7.08	10.44
S&P/ASX 200 Accumulation Index†	-3.79	-2.56	9.94	9.23	8.86	7.51	9.25
Excess return (before fees)‡	1.36	1.09	-1.01	-0.01	-0.02	-0.42	1.19

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 28 February 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Australian Equities Fund	-2.49	-1.66	8.00	8.25	7.88	6.11	9.44
S&P/ASX 200 Accumulation Index†	-3.79	-2.56	9.94	9.23	8.86	7.51	9.25
Excess return (after fees)‡	1.30	0.90	-1.94	-0.97	-0.98	-1.40	0.19

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 Australian Equities Fund: July 1996

† The benchmark for the Yarra Australian Equities Fund has been amended since the Fund's inception. Effective 28 February 2008 the benchmark is the S&P/ASX 200 Accumulation Index, replacing the S&P/ASX 200 ex Property Accumulation Index Monthly. Further information on changes to the Fund's benchmark is available upon request.

‡ Excess return: The difference between the portfolio's return and the benchmark return.

Market review

The Australian Equities market fell during the month driven by profit taking after a strong rerate in 2024, tariff concerns and rising geopolitical risk. The Chinese stock market – and Chinese technology stocks in particular – rallied following the release of Deep Seek during the month. In Australia, the reporting season concluded with a small beat due to slightly positive margin surprises.

The S&P/ASX 200 Accumulation Index returned -3.8% for the month taking its 12-month return to +9.9%. Similarly, the broader S&P/ASX 300 Accumulation Index returned -3.8% for the period and, globally, the MSCI World Index returned -0.8%.

Industrials (+2.0%) was the largest sector contributor despite some mixed results across stocks. Computershare (CPU, +18.1%) and Brambles (BXB, +5.6%) rose within the sector. Computershare moved higher following strong results as the company lifted its full year EPS guidance by around 15%.

Communication Services (+2.6%) also performed well, led mainly by Telstra (TLS, +7.3%). TLS reported higher profits and an increase to dividends as well as announcing a share market buyback of up to $750 million.

Financials (-4.4%) was the largest sector detractor driven by falls in the share price for National Australia Bank (NAB, -12.1%) alongside less severe falls across other major banks Westpac (WBC, -5.7%) and ANZ Bank (ANZ, -2.7%). The NAB share price was impacted by concerns over rising bad debts and higher funding costs.

Health Care (-8.2%) also underperformed during the month as Cochlear (COH, -19.0%) and CSL (CSL. -7.1%) declined. COH fell after management revealed that full year profits are now expected to be at the lower end of its previously published range.

The Materials sector (-2.9%) also retraced with falls across many stocks, with Fortescue (FMG, -11.1%) and Mineral Resources (MIN, -35.1%) the primary detractors following weaker than expected 1H25 results. Governance issues have also plagued MIN as Chris Ellison, the company's founder and managing director, faces allegations of tax evasion.

Portfolio review

Key Contributors

National Australia Bank (NAB, underweight) – the Australian bank underperformed during the period following the release of its first-quarter financial results which came in softer-than-expected. The bank experienced an unexpected decline in its

Net Interest Margin (NIM), attributed to increased funding costs and heightened competition in lending, and saw bad debt costs trend higher, in contrast to the rest of the sector. We maintain our view that the fundamental outlook does not support the market valuation for NAB and the broader bank sector.

Goodman Group (GMG, underweight) – the global real estate player underperformed during the period after announcing a A$4 billion capital raise to support the expansion of its data centre and logistics operations. The large equity raise surprised investors, with shareholders expecting third-party global institutional equity capital partners would be utilised to fund the growth rather than equity shareholders. While the company stands to benefit from industrial lease growth and increased data centre demand driving development earnings, the current elevated valuation limits the scope for a clear mispricing opportunity.

Nine Entertainment (NEC, overweight) – the media company outperformed during the period, driven by two key factors. Firstly, US real estate listing firm CoStar, submitted a A$2.65 billion acquisition bid for Domain Holdings, a 35% premium for a company that is 60% owned by Nine Entertainment. NEC and Seven West Media (SWM) also provided a constructive outlook for 3Q25 advertising, signalling the advertising market may be beginning to improve. NEC is well-positioned to benefit from the cycle when conditions do improve given the high degree of fixed cost leverage in the business.

Key Detractors

Block Inc. (XYZ, overweight) –the payments technology company underperformed during the period following the release of its fourth-quarter results which were slightly softer than expectations. The company re-iterated its full year 2025 guidance, however, pointed to a softer 1Q25 with growth accelerating through the calendar year. We remain overweight XYZ as for a cash generative growth business, Block trades on an undemanding multiple of 14.6-times CY25 earnings and a PEG ratio of <0.5 times.

Telstra (TLS, underweight) – the telecommunications company outperformed during the period following its strong first-half results, which highlighted a solid performance in mobiles, an improvement in its legacy fixed line business and a surprise $750 million share buyback. Although the broader mobile market is showing signs of positive operating momentum, the business remains largely reliant on mobile pricing, which appears to be moderating as inflation eases. With the stock trading at a 4.7% 12-month forward dividend yield, we believe much of the upside has already been factored into the price and see more attractive opportunities elsewhere.

Computershare (CPU, underweight) – the share registration and transfer agency delivered a strong 1H25 result, 5% ahead of expectations and also increased fully year guidance by 7.5%. Whilst some of the beat was tax rate related, CPU also saw strong growth in non-margin income. Sentiment was further buoyed as rate cut expectations were moderated. CPU now trades at 19.1-times FY25 P/E which we believe is fully priced given the heavy skew to interest rate sensitive margin income.

Market outlook

In recent months we have cautioned that the policies of President Trump would prove on balance to be a net negative for US economic growth and for risk assets. While policies such as a reduction in regulation and lower energy prices may in time prove a positive, a return to a trade war mentality would only increase global economic uncertainty and delay investment and employment opportunities. Moreover, it will likely result in a higher terminal rate for monetary policy.

After an optimistic assessment of Trump's policies in January, financial markets retraced sharply in February and the ongoing reassessment has continued to weigh on financial markets in early March. We have sharply downgraded our US economic growth forecasts in 2025 and 2026 by 100bps and 30bps respectively (to 1.75% and 1.5%, compared to consensus of 2.4% and 2.0%).

Australian assets were particularly hard hit in February, with the S&P/ASX 200 delivering a -3.8% return, including a -6.8% return from REITs. Small Cap stocks declined 2.8% over the same period amid a reporting season that delivered heightened stock volatility and evidence of thematic rotation. Stocks that missed their earnings were particularly hard hit, however, even when well-held stocks met expectations there was evidence of profit taking and rotation towards more defensive sectors.

Uncertainty that emanated from Trump's policies combined with high valuations helped to facilitate the market pullback, but it is noticeable that financial markets have also rushed to embrace non-US exposure. Strong returns have been recorded in European markets in 2025 with Germany, Sweden, Spain, Ireland and Switzerland all delivering double digit returns year-to-date compared with the US declining 1.9% and Japan declining 7.2%. Perhaps the most consequential of this rotation across major markets for Australia is the strength of China's equity markets, with the Hang Seng up +18.5% so far in 2025. The combination of policy support, valuation support and the improved tone of Chinese economic data has clearly resonated with markets. Our bias had been that US imposed tariffs would be met with both reciprocal tariffs on the US and greater domestic stimulus for housing and infrastructure projects in China, and this view appears to have been validated.

Locally, Australia's economic recovery appears to have commenced, albeit the 0.6% (q/q) GDP growth recorded in the December quarter was both heavy on support from the Government and farm sectors which contributed 0.5% of that 0.6% (q/q) growth. Nevertheless, there are hints that private demand growth has bottomed and a modest recovery has commenced. Real household income growth is providing support for consumption growth which, in concert with income tax cuts and the first of what we believe will be three interest rate reductions in 2025, provides scope for the recovery to accelerate. Recent improvements in home building approval trends and Governments that are showing little spending restraint also suggest the economic growth trajectory looks better, albeit still well below Australia's 'potential' economic growth. Slowing population growth and still poor productivity are providing the main headwinds to economic growth in 2025, and careful policy implementation is needed to ensure Australia can sustainably emerge from its subdued growth environment.

Recent inflation data has printed well below the Reserve Bank of Australia's (RBA) projections, and we expect that this pattern will continue into mid-2025. As such, we believe the RBA will follow its February rate cut with further reductions in May and August, easing by 75bps in total in 2025. While risk assets may welcome the return to an easing cycle, we caution that this remains a modest positive, as global asset price volatility will likely be elevated through most of 2025. All of this should favour a more selective and active approach for investors in coming months.

We are most overweight stocks within the Materials, Utilities and Communication Services sectors, and are underweight Financials, Real Estate and Consumer Discretionary.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	6.94	3.83	3.11
Consumer Discretionary	5.15	7.92	-2.77
Consumer Staples	2.78	3.84	-1.05
Energy	4.78	3.85	0.93
Financials	23.64	33.77	-10.13
Health Care	8.69	9.28	-0.60
Industrials	8.27	7.52	0.75
Information Technology	5.01	2.96	2.05
Materials	24.05	18.85	5.21
Real Estate	1.64	6.74	-5.10
Utilities	5.15	1.43	3.72

Top 3 holdings

	Portfolio %	Benchmark %	Active %
BHP Group	9.57	8.14	1.43
Commonwealth Bank of Australia	7.77	10.78	-3.01
Westpac Banking	5.79	4.49	1.30

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
ResMed	3.84	0.90	2.94
Woodside Energy	4.78	1.93	2.85
Transurban	4.17	1.68	2.50
Underweights			
National Australia Bank	0.00	4.46	-4.46
Wesfarmers	0.00	3.46	-3.46
Macquarie Group	0.00	3.30	-3.30

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.

Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	4.91	1.69	-2.29	-2.70
Distribution return	3.08	6.57	10.17	8.80

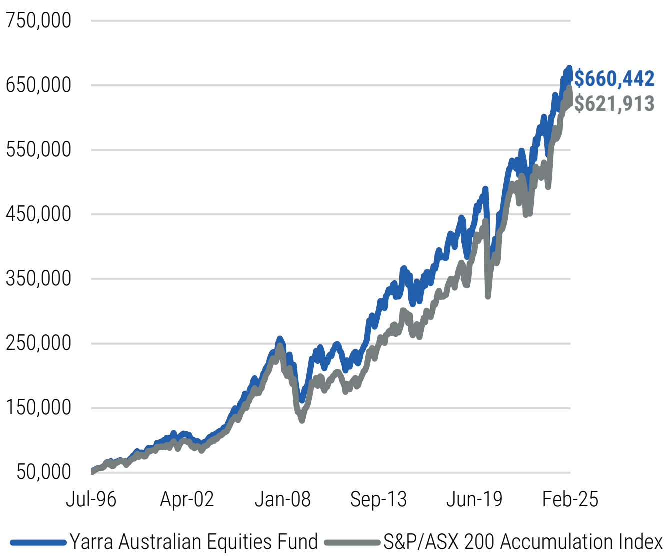
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders by way of income distribution in a 12-month period. It does not include capital distributions.

Features

Investment objective	To achieve medium-to-long term capital growth through exposure to companies listed on the Australian Securities Exchange. In doing so, the aim is to outperform the S&P/ASX 200 Accumulation Index over rolling 3-year periods.	
Recommended investment time frame	5 - 7 + years	
Fund inception	July 1996	
Fund size	A$125.8 mn as at 28 February 2025	
APIR codes	JBW0009AU	
Estimated management cost	0.90% p.a.	
Buy/sell spread	+/- 0.15%	
Platform availability	Asgard Ausmaq BT Panorama BT Super Wrap FirstWrap GrowWrap	Hub24 IOOF Pursuit Macquarie Wrap Netwealth Oasis Powerwrap

Investment performance comparison of $50,000

After fees, since inception of the Yarra Australian Equities Fund, July 1996 to February 2025.



For illustrative purposes only. Past performance does not guarantee future results, which may vary. The total net fund returns shown are prepared on an exit to exit basis (i.e. they include all ongoing fees and expenses and assume reinvestment of all distributions). They do not take personal taxation into account. The comparison with the S&P/ASX 200 Accumulation Index is for comparative purposes only. Index returns do not allow for transactional, management, operational or tax costs. An index is not managed and investors cannot invest directly in an index. Note that the minimum initial investment amount for the Yarra Australian Equities Fund is $10,000.

Applications and contacts

Investment into the Yarra Australian Equities Fund can be made by Australian and New Zealand resident investors only.

Website www.yarracm.com

Investor Services Team 1800 034 494 (Australia) +61 3 9002 1980 (Overseas) IST@yarracm.com