Yarra Ex-20 Australian Equities Fund

Gross returns as at 28 February 2025

	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	6.89	-2.71	-2.09	9.35	9.66	8.32	6.80	8.15
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.85	-3.38	-2.25	9.33	6.79	7.82	N/A	N/A
Excess return (before fees)‡	0.05	0.67	0.16	0.02	2.87	0.50	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 28 February 2025

	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	5.93	-2.77	-2.31	8.37	8.68	7.36	5.70	6.95
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.85	-3.38	-2.25	9.33	6.79	7.82	N/A	N/A
Excess return (after fees)‡	-0.92	0.60	-0.05	-0.95	1.89	-0.46	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 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

The Australian Ex-20 Equities market fell during the month driven by profit taking after a strong 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 300 Ex-20 Accumulation Index returned -3.4% for the month, taking its 12-month return to +9.3%. 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%.

Consumer Staples (+4.0%) was the second largest sector contributor, with a2 Milk (A2M, +35.3%) performing well following the release of strong 1H25 results.

Information Technology (-12.3%) was the largest sector detractor during the month with WiseTech (WTC, -27.7%), Xero (XRO, -6.8%) and NextDC (NXT, -10.2%) all experiencing falls. WiseTech shares were impacted by ongoing governance issues and a modest guidance cut.

Health Care (-8.2%) also detracted during the month as Cochlear (COH, -19.0%), Mesoblast (MSB, -20.5%) and Pro Medicus (PME, -8.9%) all declined. COH fell after management revealed that full year profits are now expected to be at the lower end of its previously published range.

Financials (-4.7%) was another large sector detractor driven by falls in the share price of a number of companies including Insurance Australia Group (IAG, -12.8%), Block Inc, (XYZ, -31.6%) and (Bendigo and Adelaide Bank (BEN, -18.9%).

Key Contributors

WiseTech Global (WTC, underweight) – the developer of software solutions for the logistics industry underperformed during the period following significant corporate governance concerns and a second downgrade to FY25 EBITDA guidance (-8% vs. consensus). The resignation of multiple non-executive directors, reportedly linked to the ongoing role of the founder and largest shareholder, created uncertainty around the company's direction and governance. Given the elevated valuation of 83.7-times FY25 forward P/E and ongoing governance risks, we maintain an underweight position, favouring other opportunities within the technology sector.

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.

APA Group (APA, overweight) – the gas and electricity infrastructure operator outperformed following the release of a solid first-half result. APA demonstrated ongoing near- and long-term expansion opportunities in its core east coast gas transmission grid as the long term role of gas in Australia's energy transition becomes clearer.

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.

Computershare (CPU, underweight) – the share registration and transfer agency delivered a strong 1H25 result, 5% ahead of expectations and 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.

Insurance Australia Group (IAG, overweight) – the general insurer underperformed following the release of its first-half results where IAG guided to a slight slow-down in gross written premium (GWP) growth. GWP growth is slowing in response to a reduction in claims inflation, which is a net positive for IAG, despite the negative market interpretation. We see IAG as well positioned to deliver strong margin outcomes combined with low volatility in large claims into the medium term.

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 Communication Services, Utilities and Materials sectors and underweight Real Estate, Industrials and Energy.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	14.14	5.15	8.99
Consumer Discretionary	7.77	7.26	0.51
Consumer Staples	4.59	3.16	1.44
Energy	0.00	2.83	-2.83
Financials	12.51	14.78	-2.27
Health Care	9.55	11.10	-1.55
Industrials	5.89	15.08	-9.19
Information Technology	8.72	7.93	0.79
Materials	21.98	18.54	3.44
Real Estate	1.94	10.67	-8.72
Utilities	9.65	3.50	6.14

Top 3 holdings

	Portfolio %	Benchmark %	Active %
ResMed	6.17	2.22	3.95
Northern Star	5.86	1.99	3.87
Origin Energy	5.61	1.90	3.71

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
ResMed	6.17	2.22	3.95
Northern Star	5.86	1.99	3.87
Treasury Wine Estates	4.60	0.89	3.71
Underweights			
Brambles	0.00	2.94	-2.94
Computershare	0.00	2.31	-2.31
Suncorp Group	0.00	2.20	-2.20

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	6.71	6.63	5.43	3.29
Distribution return	1.67	2.06	1.93	2.41

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$98.3 mn as at 28 February 2025
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.

Website www.yarracm.com

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