Yarra Ex-20 Australian Equities Fund

Gross returns as at 31 March 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	6.10	-4.36	-1.98	0.04	6.39	15.05	6.28	7.77
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.20	-3.48	-1.86	1.18	3.75	12.78	N/A	N/A
Excess return (before fees)‡	-0.10	-0.88	-0.12	-1.14	2.64	2.27	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 March 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	5.14	-4.43	-2.20	-0.85	5.44	14.03	5.19	6.58
S&P/ASX 300 ex S&P/ASX 20 Accumulation Index#	6.20	-3.48	-1.86	1.18	3.75	12.78	N/A	N/A
Excess return (after fees)‡	-1.06	-0.95	-0.34	-2.03	1.69	1.25	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 weakened during the first quarter of 2025. The threat of tariffs from the Trump Administration and the resulting uncertainty weighed on the market which also saw some rotation from investors towards China.

The S&P/ASX 300 Ex-20 Accumulation Index fell -1.9% for the quarter, taking its 12-month return to +1.2%. The broader S&P/ASX 300 Accumulation Index returned -2.9% for the period whilst globally, the MSCI World Index also weakened, returning -2.7% for the quarter.

The Materials sector (+8.6%) posted an increase with Evolution Mining (EVN, +49.5%), Northern Star (NST, +20.4%) and Newmont Corporation (NEM, +30.3%) all rising within the period. Gold, seen as a safe haven in a world characterised by elevated geopolitical risks, continued to rise, fuelling the share price increases for these three companies.

Industrials (+3.2%) posted a modest positive return, with Computershare (CPU, +16.5%) and Brambles (BXB, +5.7%) both contributing to performance following positive 1H25 results, while Reece (REH, -29.7%) and Reliance Worldwide (RWC, -10.3%) fell sharply.

Information Technology (-18.2%) fell steeply, with almost all stocks recording declines including WiseTech (WTC, -32.8%), NextDC (NXT, -25.0%) and TechnologyOne (TNE, -11.1%). While governance issues continued to plague WTC, the tendency of investors to move away from high P/E stocks weighed on returns during the quarter.

Health Care (-6.8%) also detracted, with Pro Medicus (PME, -20.0%) and Cochlear (COH, -8.8%) declining.

Financials detracted (-4.3%) with the US oriented Block Inc. (XYZ, -38.7%) and Zip Co. (ZIP, -45.6%) recording large falls.

Portfolio review

Key Contributors

Evolution Mining (EVN, overweight) – the gold and copper producer outperformed during the quarter, with both gold (+21%) and copper (+9.4%) rising. Additionally, EVN delivered a solid interim result which confirmed underlying profit up 144% year-on-year. We remain attracted to EVN's long-life assets, and meaningful leverage to copper production at the Ernest Henry and Northparkes mines. Continued drilling success across the portfolio should result in further resource/reserve increases over time.

Northern Star Resources (NST, overweight) – the gold producer outperformed during the period, with gold prices rising 21% to close at a record US$3,115/oz. NST released strong 1H25 results, with a 28% year-on-year increase in half-year revenue and retention of FY25 production and cost guidance. We remain attracted to the company's asset quality, cost control, and organic growth pipeline that will grow production from ~1.5Mozpa to ~2Mozpa by 2026.

WiseTech Global (WTC, underweight) – the leading developer of software solutions for the global 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 company's elevated valuation of 76.2-times FY25 forward P/E and ongoing governance risks, we maintain an underweight position, favouring other opportunities within the technology sector.

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 expected. Despite re-iterating its full year 2025 guidance, the company pointed to a softer 1Q25, with growth accelerating through the calendar year. Combined with market concerns on the outlook for the US consumer, this was enough to see the stock underperform. We remain overweight XYZ as for a highly cash generative growth business, Block trades on an undemanding multiple of 12.4-times CY25 earnings and a PEG ratio of <0.5 times.

NextDC (NXT, overweight) – the data centre owner and developer underperformed during the period as the market grew impatient for the announcement of additional large contract wins that had been previously indicated by management. This was further compounded by concerns around the implications of DeepSeek's more efficient AI training models for long-term global data centre capacity demand. We continue to favour NXT as the company has built an enviable footprint and track record of delivery that will allow it to capture long-term structural earnings growth driven by the adoption of cloud and artificial intelligence capabilities with solid returns on capital.

Iluka Resources (ILU, overweight) – the mineral sands producer underperformed during the period following the release of its fourth-quarter update. The company reported an 8.9% decline in mineral sands revenue for the full year and full year guidance painted a cautious near-term outlook, signalling flat production and sales alongside a 6% increase in costs. We remain constructive on the mineral sands market over the medium to long term despite near-term headwinds given the effects of EU anti-dumping tariffs, the potential for stimulus in China and US rate cuts.

Market outlook

"Liberation Day" has reinforced PresidentTrump's reputation as a shock agent and it once again proved that financial markets were underestimating Trump's intent. Financial market surveys revealed that market participants were expecting the effective US tariff rate to rise than no more than 12-15%. Trump's reciprocal tariff announcement raised the US effective tariff rate to 28% before exclusions (and around 24% post exclusions), essentially double market expectations and returning US tariffs to levels not seen since the first Model T Ford rolled off the production line in 1908.

The reaction on financial markets has been swift with US equity markets down 18% from the peak at the time of writing and measures of volatility having spiked to historically significant levels. 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. We downgraded our US economic growth forecasts in December 2024 to well below consensus (1.75% and 1.5% in 2025 and 2026, compared to consensus of 2.4% and 2.0%), however, immediately post the US tariff announcement we lowered our 2025 US growth view to just 1% and raised our 2025 core inflation forecast to 3.5%. This was based on no further retaliation and escalation of the trade war, which clearly has occurred. We have yet to conclude a recession is inevitable, but the three main channels that typically indicate a recession are flashing red. Financial conditions are tightening sharply thanks to widening credit spreads and weaker equities, survey readings are consistent with consumer restraint and rising unemployment and firms are indicating that they are preparing to right-size their firms for a changing climate.

The questions that are exercising our minds include, has the equity market adjusted enough to factor in the heightened risk of a near term US recession and what are the chances of de-escalation in coming days? Since the 1950s the average bear market decline of the S&P500 in a US recession has been -38% and the median decline has been -45%. On this measure markets are unlikely to have fully priced a recession, indeed we may only be half-way there. Equally we acknowledge that de-escalation can also occur quickly if a series of Trump-styled 'deals' are done. When assessing these risks we are mindful that Trump needs the tariff revenue to afford to deliver on his tax cut agenda, so any 'deal' will still leave substantive tariffs in place and as a result leave substantive residual recession risk. From our perspective Trump will likely keep the bulk of his tariff measures in place until he is confident that his tax plans will be passed into law around mid-year. While we may soon pass through peak volatility and peak panic, we will have to still deal with the real-world consequences of these announcements for months to come.

Locally, Australia's fragile economic recovery is clearly at risk from the external shock of a trade war, particularly one which is primarily targeted at our region and our largest trading partners. Nascent private sector demand growth is at risk of being snuffed out by this global shock, however, it is worth remembering three things. Australia's exchange rate is playing its traditional shock-absorber role which has been crucial in navigating prior shocks, the Reserve Bank of Australia (the 'RBA') will react and we now expect them to cut interest rates a further 100bps in 2025, and Australia benefits from having a relatively defensive equity market in a region with a well capitalised banking system.

From a cross-asset perspective we are materially overweight fixed income and cash, neutral credit and underweight equities and real assets. We are awaiting material revisions to both US growth expectations, inflation and earnings together with any signs of a policy pivot by Trump or the Federal Reserve ('Fed') before shifting to a more risk friendly stance. Unfortunately given Trump's stubborn belief and the Fed's focus on inflation expectations its likely to take an uncomfortable amount of time before someone blinks. From an equities perspective, the current uniform selling of markets upon general derisking of portfolios is where active fund managers step up their portfolios for the next economic cycle.

We are most overweight stocks within the Communication Services, Utilities and Materials sectors and underweight Industrials, Real Estate and Energy.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	13.45	4.81	8.63
Consumer Discretionary	6.91	7.04	-0.13
Consumer Staples	4.22	3.06	1.16
Energy	0.00	2.68	-2.68
Financials	14.12	14.59	-0.46
Health Care	9.36	12.02	-2.66
Industrials	5.62	14.77	-9.15
Information Technology	7.92	7.46	0.47
Materials	23.17	19.24	3.93
Real Estate	1.79	10.75	-8.96
Utilities	10.27	3.58	6.69

Top 3 holdings

	Portfolio %	Benchmark %	Active %
Northern Star	6.45	2.16	4.29
ResMed	5.98	2.13	3.85
Origin Energy	5.57	1.87	3.70

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
Northern Star	6.45	2.16	4.29
ResMed	5.98	2.13	3.85
Block	4.21	0.44	3.77
Underweights			
Brambles	0.00	2.85	-2.85
Computershare	0.00	2.24	-2.24
Suncorp \	0.00	2.14	-2.14

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	-2.38	3.45	11.98	2.79
Distribution return	1.53	2.00	2.05	2.40

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 31 March 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

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