Investment Commentary
Quarter to 31 December 2020

Yarra Australian Equities Fund

Gross returns as at 31 December 2020

	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	0.38	13.54	-3.83	3.34	6.44	7.56	10.43
S&P/ASX 200 Accumulation Index†	1.21	13.70	1.40	6.72	8.72	7.84	9.21
Excess return (before fees)‡	-0.83	-0.16	-5.23	-3.38	-2.27	-0.28	1.22

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 December 2020

	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	0.30	13.28	-4.69	2.39	5.45	6.55	9.42
S&P/ASX 200 Accumulation Index†	1.21	13.70	1.40	6.72	8.72	7.84	9.21
Excess return (after fees)‡	-0.91	-0.42	-6.09	-4.33	-3.26	-1.29	0.22

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

Australian equities rose alongside global markets in the December 2020 quarter, driven by positive vaccine news, higher commodity prices and a decisive US election outcome.

The S&P/ASX 200 Accumulation Index returned 13.7% for the quarter, taking its 2020 return to +1.4%. The return was ahead of global equities, with the MSCI World Index and S&P500 returning +12.5% and +12.1% respectively. Markets surged globally after three major COVID-19 vaccine candidates were announced as highly effective in extensive trials, and after Joe Biden was declared the winner of the US Presidential Election.

Sectors which were hit hardest by COVID-19 rallied sharply. Energy (+26.3%) was the strongest performer as Brent Crude lifted 29% to US$52 per barrel, led by Worley (WOR, +20.3%), Santos (STO, +28.5%), Woodside Petroleum (WPL, +29.4%) and Oil Search (OSH, +40.5%).

Elsewhere, iron ore majors BHP Group (BHP, +19.2%), Rio Tinto (RIO, +20.7%) and Fortescue Metals Group (FMG, +43.7%) supported the market as the iron ore price increased to >$150 per tonne over supply disruptions and greater demand from China.

Other strong performers included the Banks (+28.0%), Retail REITs (+23.8%) and Media & Entertainment (+24.8%).

Consumer Discretionary (+11.1%) also rallied, though it faded late in the quarter as border restrictions were reimposed across Australia in response to new COVID clusters.

Conversely, sectors which had proved resilient during the downturn – Gold (-14.0%), Utilities (-5.4%), Consumer Staples (+6.4%) and Health Care (-1.1%) – underperformed. At a stock level, the worst performers included Newcrest Mining (NCM, -17.5%), A2 Milk (A2M, -18.5%), AGL Energy (AGL, -12.3%) and Mesoblast (MSB, -55.7%). Information Technology (+22.8%) was the exception, driven by Afterpay (APT, +47.5%) as the Buy-Now, Pay-Later market leader entered the S&P/ASX 20 Index.

Portfolio review

Key Contributors

CSL (CSL, underweight) – the biotechnology company underperformed after abandoning its COVID-19 vaccine and as COVID-19 continued to disrupt plasma collection (with volumes still down around 15%). The vaccine, which was being made by University of Queensland and manufactured by CSL, was terminated after multiple trial participants returned false-positive HIV test results. We remain underweight CSL based on its forward valuation (42.0 times P/E and 29.0 times EV/EBITDA on a 12-month forward basis), which we believe appropriately captures the earnings outlook at this time. The growth outlook for CSL's key plasma products remains robust, with the company continuing to strengthen its relative market position through long-term investment in capacity, product innovation and collection centres.

Link Group (LNK, overweight) – the share registry company outperformed after receiving two takeover offers from a consortium comprising Pacific Equity Partners (PEP) and Carlyle Group and, subsequently, a competing takeover offer from US company SS&C Technologies. LNK rejected both the consortium and SS&C's offers (at $5.40 and $5.65 per share respectively) on the grounds that they did not represent compelling value, but granted both parties due diligence. Subsequent to month-end SS&C withdrew its offer. The consortium's offer – which remains on the table – values LNK's base business on 14.6 times FY22 earnings which compares to 16.1 times for listed peer CPU. The implied valuation multiple of PEXA is 15.5 times EV/EBITDA compared to globally listed equity exchanges which trade on more than 20 times forward EV/EBITDA and growth oriented domestic marketplaces such as SEK, CAR and REA which trade on 26 times forward EV/EBITDA. Our positive view of PEXA is premised on infrastructure like characteristics of the property settlement exchange upon maturity supplemented by numerous growth opportunities in immediate adjacencies.

ANZ Bank (ANZ, overweight) – the bank outperformed in response to improving economic data domestically and a solid 2H20 result. Though revenue declined 1.2% h/h as low interest rates impacted net interest margins (NIMs), pre-provision profit was flat h/h with ANZ offsetting the top line pressure through cost-out initiatives. Moreover, bad debts came in at 33 bps, well below consensus forecasts for 48 bps, and deferred home and SME loans took a material step down. We remain overweight ANZ on the grounds its challenging outlook – higher costs, difficult loan growth and a dividend that will likely remain depressed for some time – is more than reflected in the bank's valuation (at 13.3 times forward earnings), particularly relative to other banks such as NAB and CBA (at 14.6 and 18.9 times respectively). In our view COVID-19 represents an earnings issue – not a balance sheet issue – with bank capital ratios more than double those leading into the GFC and with liquidity levels strong.

Newcrest Mining (NCM, underweight) – the gold miner underperformed during the period alongside its peers as positive vaccine news buoyed the wider market and after announcing soft production and higher costs for the September quarter due to a number of planned maintenance shutdowns. Our underweight position remains predicated on the gold miner's concentrated assets in Cadia and Lihir, its premium valuation and an increasing capex profile. Both capital expenditure and M&A activity are likely to increase as the company seeks to gain exposure to other tier-one assets. The stock trades at an EV/EBITDA multiple of 6.7 times on a 12-month forward basis, which in our view does not reflect the significant risks facing the company (seismicity and PNG sovereign risk) and is unappealing relative to peers which offer a more attractive organic growth profile.

Nine Entertainment (NEC, overweight) – the media company outperformed as it upgraded 1H21 guidance on recovering ad markets. Management now expects Metro TV ad revenues to grow +1% y/y (from +0%) and 1H21 EBITDA to increase by more than 40% y/y (from +30%). Our thesis remains premised on a supportive valuation, its high-quality digital assets (Stan, 9Now and Domain), and a number of cost savings initiatives in the short term. We believe difficult ad markets relating to the COVID-19 crisis are already factored into NEC's valuation, with the stock trading at 15.8 times 2-year forward earnings. At these levels, we do not believe sufficient value is attributed to its subsidiaries when considering their long-term growth profile, with double-digit earnings growth expected in FY21. NEC plans to save $266mn by the end of CY20 through programming content and operational initiatives and by deferring capex and spectrum charges.

Key Detractors

National Australia Bank (NAB, underweight) – the bank outperformed after delivering a solid 2H20 result. Revenue increased by 5.3% for the half, underpinned by a turnaround in market income. Even normalising for markets income NAB recorded a best of peer group revenue result at +1% h/h, with less NIM pressure than evident elsewhere (-3bps h/h). We remain underweight the bank, reflecting both short-term and long-term concerns. In the short term, we see NAB as being more vulnerable to bad debts due its higher exposure to SMEs relative to peers, businesses that are adversely affected by the COVID-19 crisis. While NAB has strengthened its capital position through a highly dilutive, discounted $3.5bn capital raising and has increased collective provisioning, the bank is yet to take an AUSTRAC provision unlike its peers. Further, the bank trades at around a 10% premium (on a 12-month forward P/E) to peers Westpac (WBC) and ANZ Bank (ANZ), our preferred banking exposures at this time.

APA Group (APA, overweight) – the gas pipeline owner underperformed during the period without any materially negative news. The company announced the construction of a $460mn pipeline that connects gas fields in the Perth Basin to the Goldfields Region in Western Australia, which we view as positive for its growth outlook. We remain overweight APA, as we believe its valuation – at an EV/EBITDA of 12.5 times and with a 5.7% forecast dividend yield – is attractive when considering its exposure to increasingly important gas markets and dominant market share position. We view APA's balance sheet as very strong with $2bn of liquidity and no refinancing requirements until FY22, particularly considering that the COVID-19 crisis has had minimal impact on earnings. In the medium term, we see dividend upside given the company's relatively high funding costs and conservative balance sheet position.

Fortescue Metals Group (FMG, underweight) – the iron ore miner outperformed as the iron ore price increased to >US$150 per tonne over supply disruption and greater demand from China. We remain underweight FMG based on its stretched valuation metrics and our view that current iron ore prices are unsustainable. We prefer exposure to iron ore through BHP Group (BHP), which also offers latent value in its metallurgical coal and oil divisions, and Deterra Royalties (DRR), which we regard as holding both the cheapest and highest quality iron ore asset available on the ASX.

TPG Telecom (TPG, overweight) – the telco underperformed as its Mobile business continued to be impacted by COVID-19, with the low-priced carrier most exposed to tourists, migrants and students versus peers. Notwithstanding these temporary headwinds, we remain overweight the company. Our positive view is premised on the recently completed Vodafone merger, which in our view will unlock significant synergies. The combined entity is well placed to harness its infrastructure, scale and balance sheet to disrupt incumbents Telstra (TLS) and Optus through its lower-cost structure. As a result, we anticipate market share gains will accelerate across TPG's Mobile, Fixed and Corporate divisions.

Afterpay (APT, underweight) – the payment solutions provider outperformed after announcing a strategic partnership with Westpac Bank (WBC), under which APT will be able to offer transaction and savings accounts from FY21 to its Australian customers. The company also announced a 1Q20 business update ahead of consensus expectations, with gross merchandise volume (GMV) up 155% y/y to $4.1bn and customer net adds up 1.3mn to 11.2mn. Lastly, the stock was promoted to the S&P/ASX 20 Index during the period, effective 21 December. Our negative view of APT premised on several factors. In the short term, we believe APT's valuation does not reflect the uncertainty associated with COVID-19 despite the company's strong balance sheet position. While APT's loss rates are low so far, it remains extremely early in the bad debt cycle (where APT is exposed as an unsecured consumer lending business). In addition, APT's long-term risks remain, including heightened regulation (e.g. expense verification), increased competition (such as from PayPal) and the sustainability of the company's attractive margins.

Key Purchases

Mirvac (MGR) – we established a position in the diversified REIT during the period. Our positive investment thesis is premised on several factors. Firstly, we expect active residential development earnings (~17% of expected earnings in FY21) to rebound in FY22 and FY23, driven by improved lot volumes. Secondly, we view MGR's office portfolio (61% of its passive portfolio) as best-in-class in the A-REIT sector. Weighted average lease expires (WALES) are at 6.5 years, significantly longer than peers such as GPT Group (GPT) at 5 years and Dexus Property (DXS) at 4.5 years. Lastly, we do not believe its strong overall growth profile (~10% EPS growth in FY22 and FY23) is captured in its current valuation, trading at 1.0 times NTA versus its Diversified REIT peer group at 1.1 times.

Lendlease (LLC) – we established a position in the construction company during the period. We expect the strong growth in its development pipeline over the last 3 years (to $114bn) should now allow LLC to step up its annual rate of production from $4.3bn to $8bn by FY24. In addition, LLC plan to move 48% of developed assets onto its Investments Platform. The combined uplift in Development and Investments earnings should drive significant double-digit growth in earnings in the next few years, well ahead of consensus expectations. In our view estimates are too cautious over the medium term (~20-30% below LLC's potential rate of deployment) which could drive earnings upgrades beyond FY21. Lastly, we expect a greater consistency and earnings quality will drive LLC's valuation (currently at 12.7 times two-year forward earnings) to higher multiples.

Saracen Minerals (SAR) – we initiated a position in the gold miner following the merger with Northern Star (NST). We see the business combination as logical, with highly complementary operations (the Superpit joint venture) and organisational cultures, and the synergy metrics as attractive (A$1.5-2.0bn pre-tax NPV). On valuation, we see the potential for NST to re-rate to peer Newcrest Mining (NCM, 6.7 times forward EV/EBITDA) given its comparable size and growing production profile in Western Australia and Alaska.

Key Sales

Sonic Healthcare (SHL) – we exited our position in the company during the period following strong outperformance and as positive vaccine outcomes are likely to create an earnings headwind for the company. While short-term earnings will remain robust, we expect EBITDA to decline in FY21 as fewer tests are issued for COVID-19. We no longer view its valuation as sufficiently compelling versus alternatives, with the company trading at 21.5 times two-year forward earnings.

James Hardie (JHX) – we trimmed our position following recent outperformance but remain overweight the building materials company. We believe JHX is well positioned to benefit from a recovery following the resolution of the COVID-19 crisis. JHX continues to take market share and increase margins in the key part of its business (North America comprises 70% of value), with input costs moderating from elevated levels. We are confident in the company's market share outlook due to its high-quality and reliable products, improved sales strategies (positioning the product as superior versus alternatives) and the resolution of US supply and manufacturing issues.

Reece (REH) – we reduced our position in the plumbing and bathroom supplier during the period following recent outperformance, but remain overweight. We see the stock's valuation as supportive (at 14.7 times forward EV/EBITDA) when considering REH's strong industry position in ANZ – demonstrated by 1% FY20 sales growth despite COVID, well above peer Tradelink at -4% – and the significant growth potential through its US business MORSCO. We expect MORSCO (52% of group sales and 26% of EBIT) to deliver strong sales growth as the number of its stores increase and as profitability closes in to market leader Ferguson. Lastly, REH's rapidly improving balance sheet following the capital raising ($1bn gross cash) puts the business on a sound position for further inorganic growth and increased dividends to shareholders (following the surprise 6 cents per share dividend in FY20).

Key Active Overweights

ANZ Bank (ANZ) – we are overweight ANZ on the grounds its challenging outlook – higher costs, difficult loan growth and a dividend that will likely remain depressed for some time – is more than reflected in the bank's valuation (at 13.3 times forward earnings), particularly relative to other banks such as NAB and CBA (at 14.6 and 18.9 times respectively). In our view COVID-19 represents an earnings issue – not a balance sheet issue – with bank capital ratios more than double those leading into the GFC and with liquidity levels strong.

Atlas Arteria (ALX) – we maintain a high-conviction overweight position based on ALX's strong liquidity and balance sheet position, which leaves it well placed to weather the COVID-19 related downturn in revenues for FY20, and a positive long-term view. ALX holds attractive, long-duration assets and trades at a discounted valuation (12 times normalised EV/EBITDA), which more than captures the disruption from COVID-19 as travel restrictions and lockdowns reduce traffic volumes in the short term. We continue to believe the intrinsic value of ALX's assets will eventually be realised following the simplification of its ownership structure in the past two years, resulting in significant upside.

BHP Group (BHP) – we believe the company's valuation is attractive in the context of firm iron ore prices and China returning to production following COVID-19. BHP still trades on a 12-month forward P/E of 13.0 times, an EV/EBITDA of 5.8 times, and generates a FCF yield of >10%. Its balance sheet is robust (gearing ~15%), with management carrying out a well-defined capital allocation strategy. More broadly, we view BHP as a relatively defensive Metals & Mining exposure, with a diversified portfolio and clear strategy of capital allocation.

Link Group (LNK) – we remain overweight the company because we continue see compelling value in its base share registry business and electronic conveyancing business PEXA. The Carlyle/PEP consortium's offer values LNK's base business on 14.6 times FY22 earnings which compares to 16.1 times for listed peer CPU. The implied valuation multiple of PEXA is 15.5 times EV/EBITDA compared to globally listed equity exchanges which trade on more than 20 times forward EV/EBITDA and growth oriented domestic marketplaces such as SEK, CAR and REA which trade on significantly higher forward EV/EBITDA multiples. Our positive view of PEXA is premised on infrastructure like characteristics of the property settlement exchange upon maturity supplemented by numerous growth opportunities in immediate adjacencies.

Aristocrat Leisure (ALL) – our investment thesis is premised on ALL's strong growth profile following the resolution of the COVID-19 crisis. ALL has a dominant position in land based games (65% of EBIT) and is set to benefit from significant opportunities from Digital (35% of EBIT), which offers a wide range of outcomes. Lastly, the stock screens as undervalued at 25.3 times forward earnings when considering the Industrials Ex-Financials trades at 28.5 times and ALL's superior long-term growth potential.

Key Active Underweights

CSL (CSL) – we remain underweight CSL based on its forward valuation (42.0 times P/E and 29.0 times EV/EBITDA on a 12-month forward basis), which we believe appropriately captures the earnings outlook at this time. The growth outlook for CSL's key plasma products remains robust, with the company continuing to strengthen its relative market position through long-term investment in capacity, product innovation and collection centres.

National Australia Bank (NAB) – we remain underweight the bank, reflecting both short-term and long-term concerns. In the short term, we see NAB as being more vulnerable to bad debts due its higher exposure to SMEs relative to peers, businesses that are adversely affected by the COVID-19 crisis. While NAB has strengthened its capital position through a highly dilutive, discounted $3.5bn capital raising and has increased collective provisioning, the bank is yet to take an AUSTRAC provision unlike its peers. Further, the bank trades at around a 10% premium (on a 12-month forward P/E) to peers Westpac (WBC) and ANZ Bank (ANZ), our preferred banking exposures at this time.

Wesfarmers (WES) – our underweight position remains premised on the view its divisions, outside Bunnings (62% of operating income), face significant earnings headwinds. Officeworks (7% of operating income) and the department store industry (including discount department stores Target and Kmart, 17% of EBIT) face increasing competition and excess physical store capacity. Furthermore, the company's Industrials segment (14% of EBIT) comprises cyclical, lower quality businesses. As such, we don't find the valuation attractive at 27.2 times forward earnings.

Woolworths (WOW) – our underweight position reflects concerns at the stock's stretched valuation at 25.7 times forward earnings, which in our view fully captures recent positive momentum in WOW's supermarket business (85% of group earnings) and the more supportive competitive environment. Furthermore, the outlook for discount department store Big W remains challenged, particularly considering the threat of online and the need to rationalise excess store capacity. Lastly, WOW has announced plans to combine Endeavour Drinks and pubs with pokies company ALH Group and de-merge from the group. The proposal does not alter our view on the stock, given our concerns are focused on the outlook for the core supermarkets and discretionary retail businesses.

Macquarie Group (MQG) – we remain underweight the stock given consensus has only partially factored in lower earnings, particularly considering the recent step-up in earnings prior to the COVID-19 pandemic was driven by its lower quality and highly cyclical businesses. As a result, we regard MQG's headline forecast P/E multiple of 18.4 times consensus forward earnings as unattractive.

Market outlook

The recovery phase for the Australian economy is now well underway. Despite the concerning trends for new COVID-19 cases in the US and Western Europe as a new more contagious variant spreads, global economic data has continued to show solid improvement through Q3 and into Q4 2020. While it is reasonable to expect this positive data momentum will moderate as renewed lockdowns commence through Europe, Australia remains in a much stronger position despite recent clusters emerging from hotel quarantine failures. Economic recovery is occurring even faster than our relatively optimistic forecasts and economic growth now looks set to contract by less than 3% in 2020 before expanding by a forecast 5.5% in 2021.

The driving force of the recovery into 2021 will be consumption growth. The combination of the highest household saving ratio since the mid-1970 in concert with resilient asset prices, declining unemployment, rising hours worked and improving consumer confidence is expected to underpin a 7.0% rise in consumption growth in 2021. Although concerns have persisted over fiscal fade via lapsing fiscal stimulus measures, our analysis has long suggested that the extension of some fiscal programs, the pull forward of income tax cuts and the recovery in labour income as furloughed workers return to work is sufficient to avoid a bout of fiscal fade weighing in household income growth.

A secondary force assisting the recovery is the upswing in new housing approvals, new housing orders, and housing finance approvals. Despite a sharp drop in net migration and earlier concerns over house price declines, sentiment regarding housing has been buoyed by record low interest rates, a shift in responsible lending onus back to the borrower and large government incentives for construction.

Our expectation is that looking beyond the US election, additional expected fiscal stimulus in the US, additional expected QE in major offshore markets and a new QE program in Australia will leave a pro-growth fiscal and financial conditions environment for Australian economic growth and earnings growth.

The RBA's explicit aim of QE is to lower Australian longer term bond rates and lower the A$. We expect the RBA to be partially successful in moderating the appreciation of the A$, however, upward pressure on the A$ will likely remain as the global economic recovery continues. We expect the A$ to finish calendar 2021 at 80c.

We see significant value in certain sectors but believe others to be overvalued based on our earnings and cash flow expectations. We are most overweight stocks within the Communication Services, Energy and Consumer Discretionary sectors, and underweight Financials, Real Estate and Consumer Staples.

Sector allocation

	Portfolio %	Benchmark %	Active %
Communication Services	9.97	3.99	5.98
Consumer Discretionary	9.11	7.45	1.66
Consumer Staples	2.19	5.93	-3.74
Energy	6.32	3.75	2.57
Financials	22.71	27.76	-5.05
Health Care	7.35	10.67	-3.32
Industrials	8.75	7.28	1.47
Information Technology	4.17	4.46	-0.29
Materials	21.16	20.32	0.84
Real Estate	3.09	6.99	-3.90
Utilities	3.05	1.40	1.65

Top 5 holdings

	Portfolio %	Benchmark %	Active %
BHP	10.00	6.80	3.20
ANZ Banking	6.88	3.51	3.37
Commonwealth Bank of Australia	6.62	7.93	-1.30
Westpac Banking	6.42	3.81	2.61
Aristocrat Leisure	3.82	1.08	2.74

Key active positions

Overweights	Portfolio %	Benchmark %	Active %
ANZ Banking	6.88	3.51	3.37
Atlas Arteria	3.58	0.34	3.24
BHP	10.00	6.80	3.20
Underweights			
CSL	2.12	7.01	-4.89
National Australia Bank	0.00	4.05	-4.05
Wesfarmers	0.00	3.11	-3.11

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	-15.39	-8.67	-2.93	-1.77
Distribution return	10.70	11.05	8.38	8.32

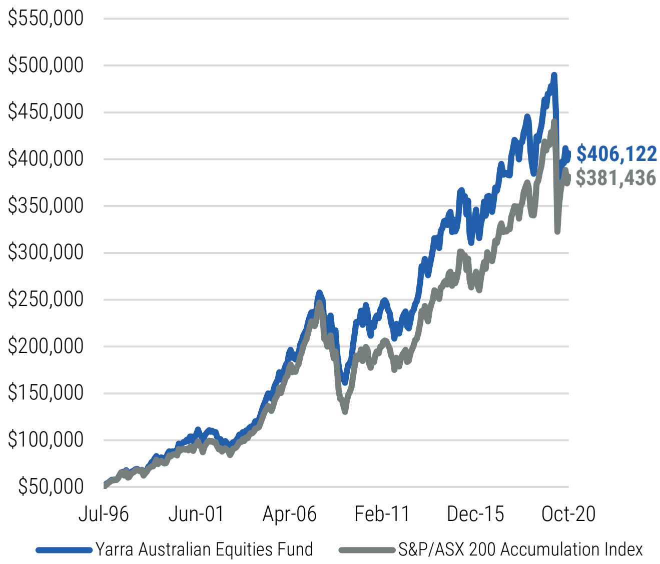
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders 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$118.0 mn as at 31 December 2020
APIR codes	JBW0009AU
Estimated management cost	0.90% p.a.
Buy/sell spread	+/- 0.15%
Platform availability	AMP Flexible Lifetime AMP PortfolioCare AMP Wealthview ANZ Grow Wrap Asgard BT Panorama BT Wrap Colonial FirstWrap Freedom of Choice Hub24 IOOF Pursuit Select Macquarie Wrap Accumulator Macquarie Wrap Consolidator Netwealth North Oasis OnePath PortfolioOne PowerWrap SmartWrap Wealthtrac

Investment performance comparison of $50,000

After fees, since inception of the Yarra Australian Equities Fund, July 1996 to December 2020.



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

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