

Yarra Emerging Leaders Fund

Gross returns as at 31 January 2023

| | 1 month % | 3 months % | 1 year % | 3 years % p.a. | 5 years % p.a. | 10 years % p.a. | Since inception* % p.a. |
|--------------------------------------|--------------|---------------|-------------|-------------------|-------------------|--------------------|-------------------------------|
| Yarra Emerging Leaders Fund | 6.45 | 9.35 | 2.31 | 5.83 | 8.04 | 10.98 | 11.13 |
| Emerging Leaders Combined Benchmark† | 6.27 | 6.87 | 2.05 | 6.29 | 7.00 | 8.78 | 7.23 |
| Excess return (before fees)‡ | 0.18 | 2.49 | 0.26 | -0.46 | 1.04 | 2.21 | 3.89 |

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 management costs, meaning they do not reflect the deduction of any investment management fees and expenses 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 January 2023

| | 1 month % | 3 months % | 1 year % | 3 years % p.a. | 5 years % p.a. | 10 years % p.a. | Since inception* % p.a. |
|--------------------------------------|--------------|---------------|-------------|-------------------|-------------------|--------------------|-------------------------------|
| Yarra Emerging Leaders Fund | 6.34 | 9.01 | 1.05 | 4.52 | 6.71 | 9.61 | 9.82 |
| Emerging Leaders Combined Benchmark† | 6.27 | 6.87 | 2.05 | 6.29 | 7.00 | 8.78 | 7.23 |
| Excess return (after fees)‡ | 0.07 | 2.14 | -1.00 | -1.77 | -0.29 | 0.83 | 2.59 |

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 Emerging Leaders Fund: September 1997

† Comprising 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries Accumulation Index

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

Market review

The Emerging Leaders Benchmark returned +6.3% for the month, taking its 12-month return to +2.0%. The broader ASX300 also produced positive gains of +6.3% for the month, as did global indices (MSCI World Index +7.1%).

Most sectors delivered positive returns for the month, with Consumer Discretionary (+12.5%) the best performing sector, led by Kogan (KGN, +28.6%), JB Hi-Fi (JBH, +15.3%), Corporate Travel Management (CTD, 24.6%) with resilient consumer spending patterns during the holiday season.

Information Technology (+11.0%) was not far behind, with strong performance delivered by Software Services with the tech sector responding positively to the risk-on environment as the Fed and RBA got closer to their respective terminal rates, Wisetech Global (WTC, +19.3%), Life360 (360, +13.4%) and SiteMinder (SDR, +23.7%).

Conversely, the lagging sector was Utilities (-5.2%), following strong sector performance in the December quarter, with AGL Energy (AGL, -5.2%) the largest decline.

Portfolio review

Key Contributors

Reliance Worldwide (RWC, overweight) – the plumbing supplies company outperformed over the month of January following news of the widespread freeze event in the US in late December. These freeze events occur approximately every three years and this one should provide a solid boost to sales as repairs are undertaken to rectify frozen pipes. US 30-year mortgage rates also compressed ~50bps over the month, a positive move for home renovators that look to draw on their mortgages, with the share price also responding positively to this movement. Looking at the stock more broadly, the market is showing concern for a falling demand environment and RWC FY23 estimates were lowered after the company's August result and 1Q23 update. We believe RWC is a compelling opportunity with the market pricing for a significant decline in earnings (P/E of only 14 times vs 17 times mid cycle), while we remain constructive on the demand environment given the defensive nature of the majority of RWC's repair and remodelling sales.

Pinnacle Investment Management (PNI, overweight) – the fund manager outperformed during the period despite no material company news, although higher equity markets (supporting higher funds under management) were supportive for earnings during the period. We have a positive view of given longer term net inflows, supported by many strong products across multiple asset classes and international distribution, performance fee increases from depressed levels, further margin expansion supported by the fixed cost nature of funds management businesses and new manager formation both organically and via acquisitions which has created material shareholder value over time.

Whitehaven Coal (WHC, underweight) – we hold no positions in the coal miner, which fails to meet our investment criteria. Thermal coal prices fell 32% in January to US\$252/t as European winter weather conditions remained mild. Even following recent price declines, thermal coal prices continue to trade at significantly inflated levels that we regard as unsustainable and well beyond cost curve support. Additionally, we are mindful of coal's diminishing role in the global energy mix as stationary energy generation shifts to lower carbon intensity.

Key Detractors

Incitec Pivot (IPL, overweight) – the explosives, fertilisers and industrial chemicals company underperformed over the month as ammonia prices reduced 23% to \$790/t. Ammonia prices in Europe have been falling with demand in Asia very soft, the removal of an 5.5% EU import duty & EU gas prices in late December at their lowest level for seven months. We note these movements are temporary rather than structural and note that spot prices are in line with consensus forecasts for FY23. We remain overweight the company, with positive catalysts on the horizon for the stock.

WiseTech (WTC, underweight) – the technology company rallied in January as the tech sector responded positively to the risk-on environment with the Fed and RBA edging closer to their respective terminal rates. We remain underweight WTC with a preference for other names in the technology sector given WTC's demanding valuation (85 times 1-year Fwd P/E). While we believe WTC has and continues to build an exceptional product in Cargowise, which should continue to attract and retain large and key freight forwarders, we struggle to justify paying 85 times for its high-quality earnings growth given there are more attractive opportunities in the tech space.

EBOS (EBO, overweight) – the pharmaceutical distributor underperformed during the period despite no material company news, although this is a part reversal of outperformance during December. We retain a positive view towards the company, with defensive earnings growth on offer across both its health care and animal care divisions. Both divisions are in growth markets, are increasing market share and improving margins, leading to attractive earnings growth. Furthermore, both divisions have opportunities to

supplement organic growth via acquisitions, with the company having a strong track record of identifying and successfully integrating suitable targets.

Key Purchases

Reliance Worldwide (RWC) – we added to our position in the plumbing supplies company given the earnings outlook, positive catalyst in the US winter freeze, and RWC's attractive valuation. The market is showing concern for a falling demand environment and RWC FY23 estimates were lowered after RWC's August result and 1Q23 update. We believe RWC is a compelling opportunity with the market pricing for a significant decline in earnings (P/E of only 14 times vs 17 times mid cycle) while we remain constructive on the demand environment given the defensive nature of the majority of the company's repair and remodeling sales.

Carsales.com (CAR) – we added to our overweight position given our positive view of the online car classifieds company based on improving yields from products such as Instant Offer and Select in Australia (~50% of CAR valuation). We are also constructive on the outlook for Trader Interactive, CAR's US business (~30% CAR valuation), which has strong potential from various drivers (an uplift in dealer penetration, moving from a subscription based to a leads-based and higher yielding model, and an improvement in inventories on the site). We also like the opportunity to improve the profitability of Encar, CAR's South Korean business.

Alumina (AWC) – we increased our position in AWC, reflecting our view that there is upside risk to demand for alumina following China's recent decision to move away from COVID-zero policies. China is a major customer of alumina to supply its under-utilized aluminium smelters that have been operating below full capacity due to the combined impacts of weak demand from COVID lockdowns, and drought conditions reducing hydroelectricity generation to power smelting operations. We expect increased industry activity and housing starts, coupled with a normalization in weather conditions will support increased aluminium demand in China, which will support an increase in demand for alumina feedstock. AWC is the best way to gain exposure to alumina in our view, and while energy costs in Spain and reliability concerns in WA have recently weighed on the company's share price, we see upside to value from both commodity prices and a turnaround in operating performance from here.

Key Sales

Imdex (IMD) – we exited our small remaining position over the period reflecting our view that the share price was trading above mid-cycle levels following a stronger period of performance. We took this action ahead of IMD's acquisition of Devico and the better than expected 1H23 trading update.

EBOS (EBO) – the EBO position was modestly reduced after a period of outperformance which has reduced the valuation upside. We continue to hold a smaller position given our positive view toward the company with defensive earnings growth across both health care and animal care divisions. Both divisions are in growth markets, are increasing market share and increasing margins leading to attractive earnings growth. Furthermore, both divisions have opportunities to supplement organic growth via acquisitions with the company having a strong track record of identifying suitable targets and integrating successfully.

TPG (TPG) – we reduced our position in TPG over the period following an adverse ACCC regulatory decision in December, which saw an outcome on the proposed network sharing agreement with Telstra (TLS) rejected. TPG has appealed the decision, though a ruling is not likely until the middle of this year. While headline price increases for Vodafone were encouraging in an increasingly rational mobile market, we expect inflationary pressures, interest costs and balance sheet concerns to weigh on the near-term outlook.

Key Active Overweights

Reliance Worldwide (RWC) – the market is showing concern for a falling demand environment and RWC FY23 estimates were lowered after RWC's August result and 1Q23 update. We believe the plumbing supplies company is a compelling opportunity, with the market pricing for a significant decline in earnings (P/E of only 14 times vs 17 times mid cycle) while we remain constructive on the demand environment given the defensive nature of the majority of the company's repair and remodelling sales.

Worley (WOR) – we remain overweight the professional project and asset services company. Following years of underinvestment in oil & gas projects, and with the more recent supply disruptions stemming from the war in Ukraine, expectations for project spend across WOR's traditional customer base has increased to 27% YoY growth. There is also a strong pipeline of margin accretive capital spend required to decarbonise energy production and provide more sustainable solutions across chemical and resources customers.

Carsales.com (CAR) – we remain overweight the online car classifieds company based on improving yields from products such as Instant Offer and Select in Australia (~50% of CAR valuation). We are also constructive on the outlook for Trader Interactive, CAR's US business (~30% CAR valuation), which has strong potential from various drivers (an uplift in dealer penetration, moving from a subscription based to a leads-based and higher yielding model, and an improvement in inventories on the site). We also like the opportunity to improve the profitability of Encar, CAR's South Korean business.

Key Active Underweights

WiseTech (WTC) – we remain underweight WTC with a preference for other names in the technology sector given

WTC's demanding valuation (85 times 1-year Fwd P/E). While we believe WTC has and continues to build an exceptional product in Cargowise, which should continue to attract and retain large and key freight forwarders, we struggle to justify paying 85 times for its high-quality earnings growth given there are more attractive opportunities in the tech space.

Lynas Rare Earths (LYC) – we remain underweight the rare earth miner. While we recognise the longer-term thematic of rare earths being an important raw material for battery powered electric motors, we remain concerned on near-term commodity pricing headwinds. Rare earths production and refining is dominated by China, and Lynas is one of few ex-China major producers. Recent efforts in the US through the Inflation Reduction Act to pivot rare earths sourcing away from China present a longer-term opportunity for Lynas. However, we view NdPr pricing as unsustainable at current levels, and are happy to remain underweight.

Vicinity (VCX) – the portfolio retains an underweight position to the retail focussed REIT. While well diversified across retail centre type, number and geography, we expect to observe a weaker consumer begin to impact speciality retailers in 2023, making real rental growth extremely difficult to achieve. With higher debt costs expected, we view this as creating a more challenged dividend outlook, as well as accelerating valuation pressures as cap rate expansion occurs in a higher interest rate environment, driving asset backing (NTA) lower. At current valuation levels, we don't see sufficient absolute valuation support (0.87 times NTA and offering 5.6% dividend yield).

Market outlook

Financial market enthusiasm at the commencement of 2023 has been stoked by three key forces; signs globally that the period of excess inflation is starting to recede, an acceleration in the trend decline in the US\$ which is helping to ease the contraction in global credit, and the expected impetus from "China's reopening" post its movement away from COVID zero. Each of these factors helps to diminish the risk of a harder landing for global growth and marginally increase the probability that a formal global recession may be avoided.

Importantly, the long-awaited pivot from major central banks appears to have been delayed until labour markets show more convincing signs of easing and the inflation down trend more assured. On balance, we still believe the US and Europe will enter a modest recession in 1H23 and inflation dynamics will change sufficiently for policy makers to conclude that the monetary policy is sufficiently restrictive to halt the tightening cycle in coming months.

We continue to argue that Australia presents as a safe haven from both the perspective of more robust growth relative to the G7 peer group and as having good leverage to signs of a trough in the economic cycle in China. Although both the RBA and we expect economic activity to slow significantly in 2023 to average just 1.5%, we believe

Australia should be able to avoid a technical recession due to four key reasons:

1. Australia has been a net beneficiary of global commodity shortages. This surge in commodity prices saw Australia's export prices in A\$ terms move to their highest levels since the 1880s in 1H2022 and even though commodity prices are now off their peaks they remain very elevated from a historical perspective. The consequence has been strong national income growth, profits growth and an improving underlying fiscal position. Indeed, the Commonwealth Budget will likely be close to surplus for the 2023 financial year.
2. The household sector continues to hold a significant buffer of over \$270bn of excess savings relative to pre-COVID levels. Although we expect the impact of higher interest rates and higher living expenses will curtail consumer spending, we do expect the combination of rising wage growth and a run down in the level of savings to continue to support consumption spending.
3. Australia remains incredibly well placed to benefit from the global energy transition. Lithium is already a \$10bn export industry for Australia and Australia is the world's dominant producer. Electric Vehicle sales are forecast to increase 10x by 2030 and Australia has the world's 2nd largest copper resource. LNG is an important energy transition fuel, and currently accounting for 23% of global electricity generation. Australia just happens to be the world's equal largest exporter of LNG. Iron ore obviously remains Australia's biggest export and China the dominant customer. However, we expect the global energy transition to be steel intensive, opening up new customers.
4. Net migration into Australia contracted in 2021 for the first time since 1945. However, a very strong recovery was recorded through 2022 and a record level of net migration appears likely in coming months, ensuring that Australia's population growth will be close to 2% in 2023.

While the RBA has been later than most other developed nations in tightening policy, tighter financial conditions in 2022 have come via both significantly higher cash rates, higher government bond yields and wider corporate bond spreads. Following the February rate hike of 25 bps, we believe financial conditions are now in the restrictive zone and the RBA is now close to the finish of the tightening cycle. Nevertheless, following the February hike its clear the RBA is retaining the option of delivering two or more further rate hikes. From our perspective the RBA's focus on global growth, trends in household spending and the outlook for inflation and labour markets in informing their future decisions suggest that multiple additional hikes are unlikely to be required. Interest rate hikes in Australia will remain a month-to-month proposition for the next six months, however, our bias is that just one further 25 bps hike is likely to be delivered this cycle.

The A\$/US\$ has finally started to appreciate, after a long period of relative weakness. With Australia's external accounts remaining in excellent health, our expectation that Australia's economic growth will prove more robust and the prospect the US\$ down trend will persist as the Fed pivots from its aggressive hiking strategy, we expect the A\$/US\$ will appreciate to the mid-70s by mid-2023.

We are most overweight stocks within the Communication Services, Health Care and Information Technology sectors, and are underweight Real Estate, Energy and Materials.

Sector allocation

| | Portfolio % | Benchmark % | Active % |
|------------------------|-------------|-------------|----------|
| Communication Services | 12.91 | 5.75 | 7.15 |
| Consumer Discretionary | 9.97 | 11.39 | -1.42 |
| Consumer Staples | 1.22 | 3.78 | -2.56 |
| Energy | 4.49 | 8.03 | -3.54 |
| Financials | 11.09 | 10.63 | 0.46 |
| Health Care | 7.02 | 4.63 | 2.40 |
| Industrials | 12.35 | 11.49 | 0.85 |
| Information Technology | 9.19 | 8.15 | 1.04 |
| Materials | 21.22 | 24.64 | -3.42 |
| Real Estate | 3.92 | 10.66 | -6.74 |
| Utilities | 0.00 | 0.84 | -0.84 |

Top 5 holdings

| | Portfolio % | Benchmark % | Active % |
|--------------------|-------------|-------------|----------|
| Carsales.com | 4.88 | 1.46 | 3.42 |
| Reliance Worldwide | 4.70 | 0.51 | 4.19 |
| Worley | 4.49 | 1.06 | 3.43 |
| OZ Minerals | 4.10 | 1.72 | 2.38 |
| NextDC | 3.70 | 0.83 | 2.87 |

Key active positions

| Overweights | Portfolio % | Benchmark % | Active % |
|--------------------|-------------|-------------|----------|
| Reliance Worldwide | 4.70 | 0.51 | 4.19 |
| Worley | 4.49 | 1.06 | 3.43 |
| Carsales.com | 4.88 | 1.46 | 3.42 |
| Underweights | | | |
| Wisetech Global | 0.00 | 1.93 | -1.93 |
| Lynas Rare Earths | 0.00 | 1.56 | -1.56 |
| Vicinity Centres | 0.00 | 1.46 | -1.46 |

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 | -12.29 | -1.07 | 2.50 | 6.25 |
| Distribution return | 13.34 | 5.59 | 4.21 | 3.37 |

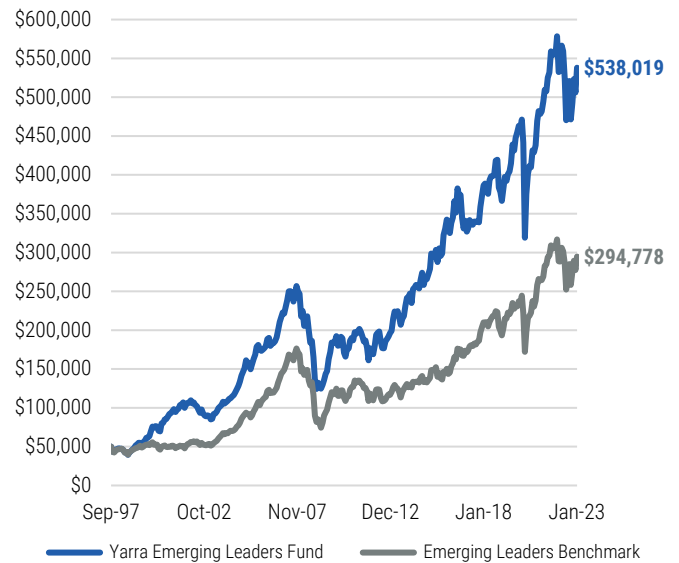
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders 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 small and medium sized Australian companies that are considered to possess strong capital growth potential. In doing so, the aim is to outperform the benchmark over rolling 3-year periods. | |
| Recommended investment time frame | 5 - 7 + years | |
| Fund inception | September 1997 | |
| Fund size | A\$83.9 mn as at 31 January 2023 | |
| APIR codes | JBW0010AU | |
| Estimated management cost | 1.25% p.a. | |
| Buy/sell spread | +/- 0.20% | |
| Platform availability | Asgard Ausmaq BT Panorama BT SuperWrap Financial Index | Hub24 Macquarie Wrap Mason Stevens MLC Wrap OneVue |

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Emerging Leaders Fund, September 1997 to January 2023.



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 benchmark (comprising 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries 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.

Applications and contacts

Investment into the Yarra Emerging Leaders Fund can be made by Australian resident investors only.

Website www.yarracm.com

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Disclaimers

The Yarra Emerging Leaders Fund is substantially invested in the Yarra Emerging Leaders Pooled Fund ('Pooled Fund'). References in this document to the underlying assets or investments of the Fund generally relate to the assets held in the Pooled Fund. The Fund's benchmark comprises 50% S&P/ASX Midcap 50 Accumulation Index and 50% S&P/ASX Small Ordinaries Accumulation Index.

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