

Yarra Emerging Leaders Fund

Gross returns as at 30 November 2021

| | 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 | 0.43 | -0.12 | 20.06 | 15.19 | 12.33 | 13.66 | 11.78 |
| Emerging Leaders Combined Benchmark† | 0.46 | -0.33 | 19.44 | 15.65 | 13.03 | 10.50 | 7.81 |
| Excess return (before fees)‡ | -0.03 | 0.21 | 0.61 | -0.46 | -0.70 | 3.15 | 3.97 |

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 30 November 2021

| | 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 | 0.33 | -0.43 | 18.57 | 13.77 | 10.94 | 12.25 | 10.48 |
| Emerging Leaders Combined Benchmark† | 0.46 | -0.33 | 19.44 | 15.65 | 13.03 | 10.50 | 7.81 |
| Excess return (after fees)‡ | -0.14 | -0.10 | -0.87 | -1.89 | -2.09 | 1.75 | 2.67 |

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

Australian equities proved more resilient than the wider equities market in November as a new, potentially more transmissible COVID variant emerged.

The Emerging Leaders Benchmark rose 0.5% during the month, outperforming the broader ASX300's -0.5% return and taking its 12-month return to 19.4%. Globally, equities declined late in the period (MSCI World Index -1.4% for November) as the COVID variant, labelled Omicron, drove uncertainty around the growth outlook. Further, persistent inflation in the US continued to stoke concerns about faster tapering and US interest rate rises.

At a sector level, Metals & Mining (+6.3%) provided the most support to the benchmark as commodity prices continued to rise. Battery materials producers Lynas Rare Earths (LYC, +21.0%), Mineral Resources (MIN, +17.3%), Pilbara Minerals (PLS, +18.2%) and Orocobre (ORE, +14.8%) were among the top performers. Gold (+7.6%) also outperformed amid the more volatile environment.

Information Technology (+6.2%) also delivered a strong return despite the outlook for higher interest rates. However, this was largely due to new benchmark position Novonix (NVX, +61.5%), a synthetic graphite producer which is leveraged to the positive outlook for lithium batteries.

Elsewhere performance was more mixed, with Altium (ALU, +15.0%) offsetting Nearmap (NEA, -27.6%) and Tyro Payments (TYR, -28.7%).

Portfolio review

Key Contributors

Link Administration (LNK, overweight) – the share registry company outperformed after receiving several takeover offers during the period and giving a positive trading update. US-based Carlyle group returned with a \$5.38 per share offer, which included a cash component for the base business and a pro-rata distribution of LNK's PEXA stake. Meanwhile, LNK received two bids for its Banking and Credit Management (BCM) business. The second offer – at €65m – came from Ireland-based LC Financial Holdings. LNK also gave a trading update during the period, reaffirming full-year guidance and commenting that year-to-date trading has been ahead of expectations. We remain overweight as the corporate activity supported our view of the latent value in the business. We hold a positive view of PEXA premised on the infrastructure-like characteristics of the property settlement exchange upon maturity, supplemented by numerous growth opportunities in immediate adjacencies. Further, LNK is positively leveraged to higher US interest

rates, which we see as a meaningful tailwind over the medium term.

Megaport (MP1, overweight) – the company continued to outperform as its 1Q21 update in the prior month highlighted the strong growth outlook and the high-quality nature of its revenues. The business reached \$100mn in annualized recurring revenue – ahead of expectations – supported by new port adds with most committed to terms of longer than one year. Our overweight position is premised on strong growth from the core business connecting data centres to the cloud, with a strong pipeline in its key US geography as businesses invest in IT projects. With its expansion into telecommunication services – which leverages the same infrastructure – the total addressable market more than doubles. While the company is currently at an inflection point for earnings and cashflow we believe it will turn positive in the next 1-2 years. We do not believe MP1's strong and sustainable revenue growth outlook is reflected in its share price.

IGO Limited (IGO, overweight) – the battery materials producer outperformed alongside the lithium price, with Spodumene rising to US\$2,310/t (versus 2020 levels of US\$429/t). We remain overweight the company. Our positive thesis is premised on its US\$1.4bn Greenbushes acquisition and its existing portfolio of high-quality assets. We support the acquisition for several reasons. Not only does it give IGO exposure to a high-quality, long-dated asset (>20 years mine life), but it also completes IGO's suite of battery commodities with the company already producing nickel, copper and cobalt. We also think the purchase price was reasonable, with Greenbushes likely to be NPV and EPS accretive earlier than FY23. We also hold a positive view of IGO's Nova asset – a world-class reserve which supports an increasing production profile.

Key Detractors

Eclipx (ECX, overweight) – the fleet management company partially retraced prior outperformance despite reporting a strong FY21 result during the period. Cash NPAT came in at \$86.1mn, 801% above FY20 levels and ahead of consensus forecasts. That being said, the beat was largely driven by factors which will mean revert post-COVID, in particular end-of-lease income due to record used car prices. We remain overweight on the belief that its core business (largely fleet management) will be a strong beneficiary of Australia's post-COVID recovery, and that the valuation provides ample support (at 9.5 times forward earnings). We believe ECX can take market share in the longer term (with high single-digit volume growth and stable pricing) and has a large cost-out opportunity available following the recent divestment of a number of non-core businesses.

Worley (WOR, overweight) – the engineering services firm underperformed during the period alongside the oil price, with Brent Crude declining 15% to US\$71/bbl as Omicron sparked concerns around global growth. We remain overweight the company, which we believe is in a strong position to withstand a lower-than-expected recovery in its

traditional work. Following the Jacobs ECR acquisition, the business is diversified across different markets and is well positioned to capture higher structural demand from energy transition work to low carbon solutions. We believe WOR's valuation provides significant support at current levels, with the stock trading on 13.5 times forward earnings, a sharp discount to the Industrials ex-Financials at 28.6 times.

Select Harvests (SHV, overweight) – the almond producer partially retraced strong outperformance as lower almond prices (to below mid-cycle levels) overshadowed a stronger-than-expected FY21 result. We remain overweight SHV, with our positive view based on several factors. Firstly, we see considerable upside to sales from both pricing (pre-COVID-19 was at A\$8.50/kg) and volume (which should grow by +5% per annum over the next three years as orchards mature). Secondly, we expect costs to decline from abnormally high levels, with water prices likely to fall as drought conditions recede. Thirdly, limited value is currently implied in SHV's food processing business, which it is realising value through capital releases. Lastly, SHV has a strong balance sheet and supportive valuation, with hard assets comprising more than 60% of the company's enterprise value.

Key Purchases

Evolution Mining (EVN) – we increased our position in the gold miner during the period. The gold miner is our preferred exposure within the S&P/ASX Midcap 50 Index, based on its diversified, high-quality assets and strong management team. While the growth outlook may not be as compelling as peer Northern Star (NST), we see upside based on the company's production at Cowal and Red Lake assets and improving cost profile.

TPG Telecom (TPG) – we increased our position in the telco during the period. Our positive view is premised on the improving outlook for the mobiles market, recovery in volumes post COVID and 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 well as new products such as Fixed Wireless.

BWP Trust (BWP) – we increased our position in the REIT during the period. We believe BWP trades at a compelling valuation versus peers – 1.3 times NTA (based on conservative cap rates) with a 4.3% forecast yield – when considering its strong operating outlook, driven by well-located properties that encourage high rates of lease renewals from tenant Bunnings. Further, the REIT is set to benefit from higher inflation given CPI leases account for around 53% of its lease structures.

Key Sales

Iluka Resources (ILU) – we reduced our position during the period, but maintain a smaller overweight in the mineral sands producer. The smaller overweight reflects our view that zircon and rutile markets are elevated following strong

rises in prior periods, with the current pace of the recovery exceeding our expectations amid the global economic recovery. That being said, we regard the industry structure as attractive (consolidated supply), with less pricing volatility compared to previous cycles. As a result, we see ILU's valuation as attractive (at 5.4 times EV/EBITDA). While the outlook for rare earths appears promising in the context of a strong demand profile (as a component for electric vehicles) and potential government support, we ascribe limited value given it is long-dated opportunity with significant execution risks.

Elders (ELD) – we reduced our holdings in the agribusiness during the period, retaining a small overweight position. We continue to see cyclical upside, the potential for further accretive acquisitions, a simplified capital structure relative to prior years and strong corporate appeal given its attractive business segments. However, the company has re-rated to a 14.6 times forward earnings multiple, which we view as fair in the context of above mid-cycle earnings and the risk in particular that cattle prices fall from elevated levels.

Star Entertainment (SGR) – we reduced our position in response to media allegations that the company enabled suspected money laundering, fraud, and foreign interference. We had taken some comfort from SGR having undergone several recent reviews without any major issues identified, in stark contrast to Crown Resorts (CWN). However, the allegations raise the risk profile of the stock, introduces the possibility there may be sanctions against the company, and may remove potential upside opportunities (extra gaming licences, concessions). We will engage extensively with management and undertake further independent validation in relation to the allegations, which they have labelled as misleading.

Key Active Overweights

IGO Limited (IGO, overweight) – our positive thesis is premised on its \$US1.4bn Greenbushes acquisition and its existing portfolio of high-quality assets. We support the acquisition for several reasons. Not only does it give IGO exposure to a high-quality, long-dated asset (>20 years mine life), but it also completes IGO's suite of battery commodities with the company already producing nickel, copper and cobalt. We also think the purchase price was reasonable, with Greenbushes likely to be NPV and EPS accretive earlier than FY23. We also hold a positive view of IGO's Nova asset – a world-class reserve which supports an increasing production profile.

Link Group (LNK) – we are overweight the company because we continue to see compelling value in its base share registry business and electronic conveyancing business PEXA, which has been supported by recent corporate interest. We hold a positive view of PEXA premised on its infrastructure-like characteristics of the property settlement exchange upon maturity, supplemented by numerous growth opportunities in immediate adjacencies. Further, LNK is positively leveraged to higher

US interest rates, which we see as a meaningful tailwind over the medium term. Lastly, LNK trades at 20.0 times forward earnings, an attractive discount to peer Computershare (CPU) at 23.0 times.

TPG Telecom (TPG) – our positive view is premised on the improving outlook for the mobiles market, recovery in volumes post COVID and 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 well as new products such as Fixed Wireless.

Key Active Underweights

Bluescope Steel (BSL) – our underweight position is premised on our view the current favourable conditions are unsustainable in the medium term, with steel prices likely to revert and housing volumes likely to normalise. As a result, its headline forward P/E of 4.4 times is misleading. That being said, we continue to view BSL as a high-quality cyclical company with attractive assets (both domestically and internationally) and a strong balance sheet.

Charter Hall Group (CHC) – we remain underweight the stock based on our view that AUM growth and transaction volumes – which are running at elevated levels – will normalise in the medium term as the cap rate compression cycle slows. As the growth rate of the business slows from impressive double-digit levels, we expect the multiple to contract, putting pressure on the share price outlook. Within the REIT space, our preferred exposures are BWP Trust (BWP) and Hotel Property Investments (HPI).

Wisetech (WTC) – remain underweight WTC based on the company's unappealing valuation and high-risk profile following a string of acquisitions. WTC now trades at a forecast EV/Sales of 24.5 times, which we believe continues to capitalise unrealistic growth expectations (based on the recent acceleration in demand for its software platform and expanding margins) and ignores downside risks.

Market outlook

We expect the Australian economy to continue to rebound in the short-term, following a better-than-expected contraction in 1Q21 amid COVID-related lockdowns in Melbourne and Sydney.

Notwithstanding the ongoing risk from new variants such as Omicron, we believe interruption to economic growth from renewed lockdowns will be an aberration within an improving trend. Indeed, the fundamentals that will drive the economic recovery remain in place. The recovery in labour market income has been sufficient to offset the gradual withdrawal of temporary fiscal support. Moreover, the accumulation of an estimated \$185bn in excess household saving, in concert with strong asset price gains, leaves the consumer uniquely positioned to underpin economic growth in 2021- 2022. Dwelling investment is set to provide solid support for economic growth over the next six months as

previously approved housing moves through the construction phase, and a broader-based lift in business investment expectations is an important step in ensuring a sustained economic recovery. We expect the global economy to expand 6% and the Australian economy to expand 4.5% in 2021. We expect another strong year of economic growth in 2022 of 4.0%.

Nevertheless, there are some areas that are cause for concern. For over 12 months we have warned about rising US inflation pressures and rising inflation expectations. However, supply chain constraints and energy shortages in the Northern Hemisphere risk inflation pressures becoming more widespread and more entrenched. With the peak in global business surveys having passed, cost inflation continuing to escalate and the Federal Reserve announcing its decision to taper its bond purchases, we expect bond yields will move higher through the remainder of 2021. We expect US 10-year yields to approach 1.80% by the end of 2021, providing some ongoing challenges for risk assets in Q4.

The A\$/US\$ has recently been buffeted by concerns of a peak in global industrial growth indicators, slowing China economic momentum and recent declines in iron ore prices. Nevertheless, Australia's external accounts are in their best position since the early 1970s and despite some moderation in commodity prices the A\$/US\$ should remain supported by global reflationary forces through 2021-22. We expect the A\$/US\$ to finish the year in the 76-78c range and remain around that level through 1H22.

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

Sector allocation

| | Portfolio % | Benchmark % | Active % |
|------------------------|----------------|----------------|-------------|
| Communication Services | 14.20 | 8.27 | 5.93 |
| Consumer Discretionary | 10.96 | 12.98 | -2.02 |
| Consumer Staples | 3.84 | 3.71 | 0.13 |
| Energy | 2.74 | 5.81 | -3.07 |
| Financials | 6.75 | 10.60 | -3.84 |
| Health Care | 10.19 | 4.79 | 5.40 |
| Industrials | 7.72 | 10.63 | -2.91 |
| Information Technology | 10.39 | 8.73 | 1.66 |
| Materials | 23.45 | 23.48 | -0.03 |
| Real Estate | 5.69 | 9.57 | -3.88 |
| Utilities | 0.00 | 1.44 | -1.44 |

Top 5 holdings

| | Portfolio % | Benchmark % | Active % |
|---------------------|----------------|----------------|-------------|
| IGO | 5.25 | 1.24 | 4.00 |
| Atlas Arteria | 4.08 | 1.09 | 2.99 |
| Link Administration | 4.07 | 0.46 | 3.61 |
| Carsales.com | 3.93 | 1.24 | 2.69 |
| OZ Minerals | 3.69 | 1.51 | 2.18 |

Key active positions

| Overweights | Portfolio % | Benchmark % | Active % |
|---------------------|----------------|----------------|-------------|
| IGO | 5.25 | 1.24 | 4.00 |
| Link Administration | 4.07 | 0.46 | 3.61 |
| TPG Telecom | 3.62 | 0.44 | 3.18 |
| Underweights | | | |
| Bluescope Steel | 0.00 | 1.74 | -1.74 |
| Charter Hall Group | 0.00 | 1.57 | -1.57 |
| Wisetech Global | 0.00 | 1.49 | -1.49 |

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 | 17.06 | 12.12 | 9.13 | 9.93 |
| Distribution return | 1.51 | 1.65 | 1.81 | 2.32 |

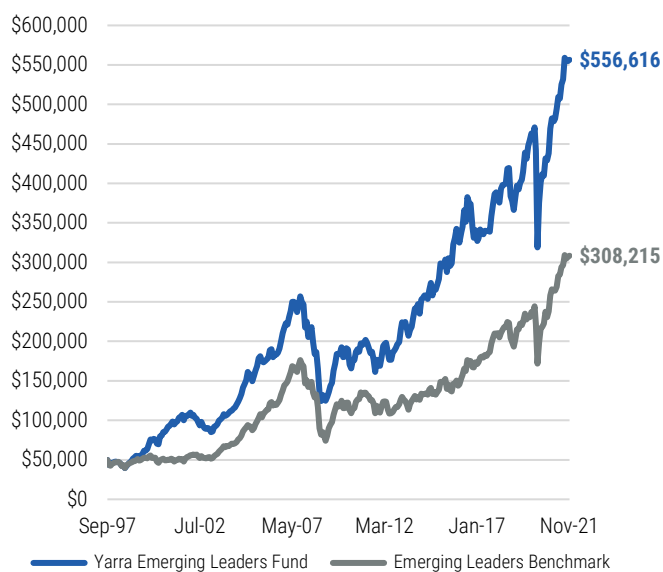
The Growth Return is measured by the movement in the Fund's unit price (inclusive of fees), ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders 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 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\$59.8 mn as at 30 November 2021 | |
| APIR codes | JBW0010AU | |
| Estimated management cost | 1.25% p.a. | |
| Buy/sell spread | +/- 0.20% | |
| Platform availability | Asgard BT Panorama Hub24 Macquarie Wrap | Mason Stevens MLC Navigator MLC Wrap Praemium |

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Emerging Leaders Fund, September 1997 to November 2021.



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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