

# Yarra Enhanced Income Fund

## Gross returns as at 28 February 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception <sup>^</sup> % p.a.
Yarra Enhanced Income Fund	0.39	1.54	6.23	8.22	6.19	6.47	6.30
Yarra Enhanced Income Fund (incl. franking)	0.40	1.56	6.33	8.35	6.29	6.74	6.86
RBA Cash Rate <sup>#</sup>	0.29	0.89	3.79	4.06	2.80	1.99	3.32
Excess return <sup>‡</sup>	0.11	0.66	2.54	4.28	3.49	4.76	3.54

**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. Returns inclusive of franking credits are calculated by attributing a cash value to each franking credit, and assuming that amount is re-invested, along with all other distributions. Figures including franking credits should not be relied upon as an exact indication of performance or be compared to returns of other managed funds which do not include amounts for franking credits. The level of franking of distributions may vary.

## Net returns as at 28 February 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception <sup>^</sup> % p.a.
Yarra Enhanced Income Fund	0.35	1.40	5.65	7.63	5.60	5.78	5.53
Yarra Enhanced Income Fund (incl. franking)	0.36	1.42	5.74	7.75	5.71	6.05	6.08
Growth return <sup>†</sup>	-0.06	0.25	0.14	1.89	0.74	1.45	0.14
Distribution return <sup>†</sup>	0.41	1.17	5.61	5.86	4.97	4.60	5.94
RBA Cash Rate <sup>#</sup>	0.29	0.89	3.79	4.06	2.80	1.99	3.32
Excess return <sup>‡</sup>	0.07	0.53	1.96	3.69	2.91	4.06	2.76

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<sup>^</sup> Inception date Yarra Enhanced Income Fund: June 2003.

<sup>†</sup> Growth returns are measured by the movement in the Yarra Enhanced Income Fund's unit price, ex-distribution. Distribution return is the proportion of the total return which is paid to unitholders by way of distribution. It does not include distribution amounts deemed as capital distributions. Returns inclusive of franking credits are calculated by attributing a cash value to each franking credit, and assuming that amount is re-invested, along with all other distributions. Figures including franking credits should not be relied upon as an exact indication of performance or be compared to returns of other managed funds which do not include amounts for franking credits. The level of franking of distributions may vary.

<sup>#</sup> The RBA Cash Rate is being used for comparative purposes only. The underlying assets of the Fund are of a higher risk profile than cash assets. When comparing performance of the Fund against the RBA Cash Rate, investors should take this into account.

<sup>‡</sup> The excess return figures shown represent the difference between the Fund's return including franking and the RBA Cash Rate.

### Portfolio review

The Yarra Enhanced Income Fund returned 0.36% (net basis, including franking) over the month, outperforming its benchmark by 7 bps. On a 12-month view the Fund returned 5.74% (net basis, including franking), outperforming the RBA Cash Rate by 196 bps.

Monthly performance was robust, driven by income returns. Credit spreads widened over the month, reflecting the elevated levels of new issuance during the month alongside increased investor concern around private credit markets. While this resulted in a marginally negative contribution, it was partially offset by our duration position as investors moved toward safe-haven assets amid heightened volatility. AT1 and senior

debt were the strongest performers during the month.

We participated in several Tier 2 issuances including ANZ, Commonwealth Bank and Credit Agricole, and also participated in the UBS AT1 deal.

### Market review

Heightened geopolitical tensions in the Middle East escalated at the end of the month following military strikes involving the US, Israel and Iran with retaliatory actions contributing to ongoing instability in the Gulf region.

Oil prices rose sharply in response, prompting increased concern among policymakers and markets regarding the

potential inflationary impacts of a sustained conflict.

Separately, the US Supreme Court ruled against President Trump's emergency tariffs. In response to the ruling, the President threatened to impose global tariffs of 15%, however this is yet to take place. In the US, January labour market data was slightly stronger than anticipated. The unemployment rate fell by 10 bps to 4.3% supported by nonfarm payroll employment increasing by 130,000 jobs. At this stage, the data supports the Federal Reserve's decision to hold interest rates steady at its January meeting. US 10-year Treasury yields fell by 30 bps over the month to 3.94%, with markets still leaning toward a rate cut in June.

In other parts of the world, British lender Market Financial Solutions entered insolvency amid allegations of fraud, leaving several European banks exposed. The Bank of England left its cash rate unchanged at 3.75% highlighting ongoing concerns around returning inflation to target in the near term.

The Reserve Bank of New Zealand also kept its cash rate on hold at 2.25%, citing a number of factors including the expectation that headline inflation will fall to the midpoint of the target range, economic activity is recovering and the presence of significant spare capacity.

Japan recorded its lowest inflation print since 2022, with January inflation coming in at 1.5% (y/y), meeting the Bank of Japan's target.

The Reserve Bank of Australia (RBA) increased the cash rate by 25 bps to 3.85% in their meeting at the beginning of the month, expressing concern over recent data indicating persistent inflationary pressures. Headline CPI for the 12 months to January 2026 was unchanged from the previous month at 3.8%, 80 bps above target, while trimmed mean inflation rose by 10 bps to 3.4%. Housing continued to be the largest contributor to inflation, with the ongoing roll-off of government electricity rebates adding upward pressure.

On a seasonally adjusted basis, the unemployment rate for January remained unchanged at 4.1%, although total employment increased slightly. Following the RBA's decision to hike rates, bonds sold off slightly. However, as risk off sentiment emerged amid heightened geopolitical uncertainty, bonds subsequently rallied resulting in yields finishing the month lower across the curve. The curve flattened slightly, with the yield on 3-year bond futures declining by 6.5 bps to 4.22% and the yield on 10-year bond futures falling by 17 bps to 4.67%.

Credit spreads widened marginally during the month, driven by a significant supply in primary as well as concerns around private credit liquidity rather than any material deterioration in underlying credit quality. Bank issuance dominated the market, with Tier 2 and AT1 issuance in February reaching its highest level on record. Deal flow remained well oversubscribed, with strong participation from Asian investors continuing to support the market.

Most investment grade corporates performed well in 1H26 off the back of the easing cycle and a resilient Australian economy. Notable transactions during the month included Tier

2 issuance from CBA, ANZ, Westpac, Macquarie Bank, Credit Agricole and IMB, as well as an AT1 issuance from UBS. Senior issuance was also undertaken by ING Bank, Credit Agricole and Vicinity Centres. The Australian iTraxx index closed the month 2.7 bps wider at 68.6 bps.

## Outlook

Market pricing had, until recently, largely reflected expectations of an additional rate hike in May as inflation concerns remain elevated. These concerns have been exacerbated by the conflict in the Middle East with oil price shocks and disruption to shipping routes. However, with the escalating conflict in the Middle East comes the risk of a slowdown in global growth. The RBA has continued to emphasise a cautious and data-dependent approach to policy. However, given the backdrop, we expect the evolving global landscape to play a larger role in the RBA's upcoming monetary policy meetings.

Credit spreads widened over the month, as strong levels of supply coupled with a hawkish interest rate back drop drove investor concern over higher funding costs. Investment grade corporate balance sheets remain well positioned and near-term credit metrics are expected to remain resilient. We expect higher outright yields to remain attractive for offshore investors, which will continue to support demand for Australian credit in the absence of significant macroeconomic shocks. Issuance activity could moderate in the near term amid heightened geopolitical uncertainty, however ongoing funding requirements and generally supportive capital market conditions should underpin a recovery in issuance once conditions stabilise.

## Portfolio profile

### Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	5.88
Option Adjusted Spread	156
Average weighted issue credit rating	BBB
Average weighted ESG Rating*	BBB+
Estimated yield to maturity (%)	5.74
Fund duration (yrs)	1.77
Spread duration (yrs)	3.59
Number of securities	224
Listed	38
Unlisted	186

\* Please note that the ESG ratings are YCM internal ratings.

## Sector allocation

	Portfolio %
Asset Backed	-
Banks	48.86
Communication Services	-
Consumer Discretionary	1.33
Consumer Staples	-
Diversified Finance	8.05
Energy	6.03
Health Care	0.72
Industrials	9.09
Information Technology	0.12
Insurance	9.40
Materials	0.34
Mortgage Backed	-
Real Estate	7.80
Utilities	3.26
Cash & Other	5.02

## Top 10 holdings

Issuer	ISIN	Portfolio %
ANZ Banking	AU3FN0091583	1.67
Credit Agricole	AU3CB0331320	1.50
UBS Group	CH1485827070	1.41
BNP Paribas	AU3FN0094280	1.35
Tabcorp Holdings	AU3CB0328789	1.33
National Australia Bank	AU3CB0328235	1.32
Ampol Limited	AU3FN0094520	1.31
HSBC Holdings	AU3FN0096483	1.21
Aurizon Finance	AU3FN0098372	1.20
BNP Paribas	FR0014014MD4	1.19

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.

## Maturity profile

	Portfolio %
Perpetual/Callable	11.98
Callable	69.37
At Maturity	13.63

## Security profile

	Portfolio %
Floating rate	47.85
Fixed rate	47.13
Cash & Other	5.02

## Credit rating profile

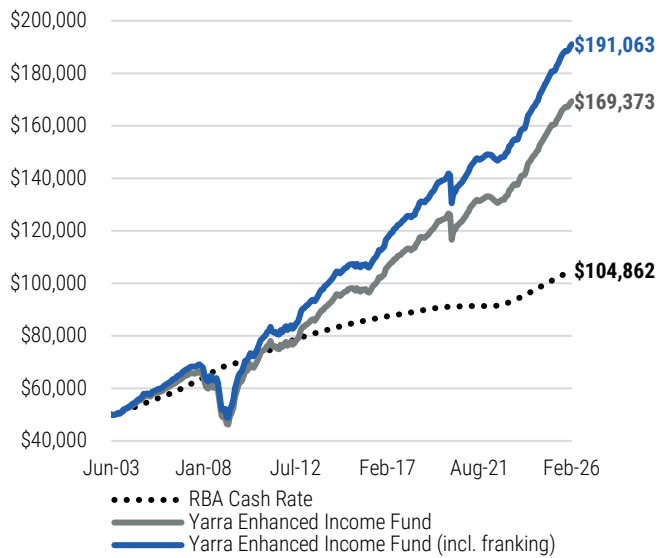
	Portfolio %
AA-	0.72
A+	0.15
A	0.27
A-	17.90
BBB+	16.55
BBB	32.79
BBB-	17.33
BB+	2.87
BB	4.15
BB-	1.71
B+	0.47
B	0.07
B-	-
Not rated or below	-
Cash & Other	5.02

## Features

Investment objective	To earn higher returns than traditional cash management and fixed income investments (over the medium-to-long term) by investing in a diversified portfolio of fixed income and hybrid (debt/equity) securities.	
Recommended investment time frame	3 – 5+ years	
Fund inception	June 2003	
Fund size	Pooled Fund A\$3,165.8 mn as at 28 February 2026	
APIR code	JBW0018AU	
Estimated management cost	0.55% p.a.	
Buy/sell spread	+/- 0.10%	
Platform availability	AMP North Asgard BT Panorama CFS First Choice Hub24 IOOF Wrap Macquarie Wrap Mason Stevens	MLC Wrap MLC Navigator Netwealth Praemium Powerwrap uXchange (DASH) Xplore Wealth

## Investment performance comparison of \$50,000

After fees, since inception of the Yarra Enhanced Income Fund, June 2003 to February 2026.



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 RBA Cash Rate is for comparative purposes only. Note that the minimum initial investment amount for the Yarra Enhanced Income Fund is \$10,000.

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## Applications and contacts

Investment into the Yarra Enhanced Income Fund can be made by Australian resident investors only.

**Website** [www.yarracm.com](http://www.yarracm.com)

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

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## Disclaimers

The Yarra Enhanced Income Fund is substantially invested in the Yarra Enhanced Income 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.

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