

Yarra Higher Income Fund

Gross returns as at 28 February 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.81	2.34	9.82	7.71	5.31	5.57
RBA Cash Rate [#]	0.32	1.05	4.34	3.39	2.08	1.89
Excess return [†]	0.49	1.29	5.48	4.32	3.23	3.68

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 28 February 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.76	2.18	9.11	7.01	4.63	4.89
Growth return [†]	0.25	0.53	2.83	0.54	-0.90	-0.21
Distribution return [†]	0.51	1.64	6.28	6.47	5.53	5.10
RBA Cash Rate [#]	0.32	1.05	4.34	3.39	2.08	1.89
Excess return [†]	0.44	1.13	4.77	3.62	2.55	3.00

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 15 March 2022, the Fund's name was changed to the Yarra Higher Income Fund. There was no change to the Fund's investment strategy.

[^] Inception date: October 2018.

[†] Growth returns are measured by the movement in the Yarra Higher Credit 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.

[#] 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.

[‡] The excess return figures shown represent the difference between the Fund's return and the RBA Cash Rate.

Portfolio review

The Yarra Higher Income Fund returned 0.76% (net basis) over the month, outperforming the RBA Cash Rate by 44bps. On a 12-month view the Fund returned 9.11% (net basis), outperforming the RBA Cash Rate by 477bps.

During the month the Fund continued to benefit from its high running yields. Carry has continued to be a strong contributor to performance as our exposure to floating rate securities benefits from the RBA's 'higher-for-longer' mantra. Our running yields have also continued to provide meaningful downside protection alongside our duration position as we navigate volatile markets. The Fund's allocation to Tier 2 debt has continued to perform well, with spreads grinding tighter. However, we are remaining vigilant to any adverse spread movements stemming from the US.

During the month we took part in the Ausnet Subordinated Debt primary deal alongside the Liberty Financial Senior deal. We also increased our Tier 2 exposure, taking part in several

primary deals.

Market review

Global markets saw a turbulent February, as major economies continued to attempt to negotiate with the US over tariffs. While some nations have been successful in delaying the imposition of tariffs, it appears tariffs will be applied against Canada, Mexico and China as promised. Consumer confidence in the US continued to slide, with the latest survey coming in at 98.3 (prev. 105.3) and inflation expectations rising off the back of tariff policies. The latest unemployment figures in the US fell to 4%, although the impact of actions from the Department of Government Efficiency (DOGE) is yet to be observed in the data.

The US 10-year yield fell 32bps to 4.24%. Further to adding to global uncertainty, the US halted aid to Ukraine and announced plans to cut military support to NATO, which has seen both Europe and the United Kingdom presented with a large defence funding task. During the month both the Reserve Bank

of New Zealand (RBNZ) and the Bank of England (BoE) cut interest rates.

Domestically, we saw the much-awaited first rate cut from the Reserve Bank of Australia (RBA), falling by 25bps to 4.1%. While many believe this to be the start of a rate cutting cycle, Governor Bullock made no guarantees as to any further rate cuts. CPI has continued to trend into the target 2-3% band on a headline measure (2.4% y/y), and is sitting slightly above on a trimmed mean measure at 3.2% (y/y). With unemployment remaining low at 4.2% (y/y) the RBA is likely to remain cautious in its approach. The 3-year yield fell 10bps to 3.74% and the 10-year yield fell 13bps to 4.32%, with the curve flattening.

February saw a strong reporting season in Australia. Investment grade companies continued to report strong balance sheets and robust earnings. Despite a record month for new issuance – February is typically a quieter month due to reporting season – and oversubscribed bookbuilds, secondary markets were well supported, with credit spreads grinding in. The Australian iTraxx closed 1bp tighter at 65bps.

The RMBS/ABS market continued to have a strong start to 2025, with D and E tranche spreads tightening even further. New deals have continued to see all tranches well covered and liquidity in the market remains strong. Private debt continues to grab headlines as tough economic conditions for companies further down the credit spectrum alongside compressing illiquidity premiums is making the asset class less attractive.

Outlook

While the first RBA rate cut came during February, Governor Bullock's rhetoric suggests that further rate cuts should not be considered a given as the local central bank continues to focus on its dual mandate. We expect that while employment remains strong Australia will be slower to lower rates, in the absence of a recession. We look to the next quarterly CPI read and employment print to guide the RBA's next decision.

With Australian corporates delivering another strong reporting season and confirming broadly robust balance sheets we expect credit to continue to perform well. While conditions are favourable, issuance should remain at its current pace. We are looking to the US for any potential risk off triggers given the volatile nature of economic policies that are introduced by the Trump administration.

Portfolio profile

Portfolio characteristics

	Portfolio
Current yield (%)	6.85
Credit spread (bps)	243
Average weighted issue credit rating	BBB
Average weighted ESG rating*	BBB+
Yield to expected maturity (%)	6.32
Effective duration (years)	1.29
Spread duration (years)	3.09
Number of securities	143

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

Sector allocation

	Portfolio %
Asset Backed Securities	1.56
Banks	36.71
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Financials	5.21
Energy	1.94
Health Care	0.17
Industrials	7.39
Information Technology	-
Insurance	11.45
Materials	-
Mortgage-Backed Securities	8.05
Private Debt	8.99
Real Estate	3.42
Syndicated Loan	7.06
Utilities	2.69
Cash and Other	5.38

Security allocation

	Portfolio %
Tier 1	3.10
Tier 2	41.69
Subordinated	9.83
Mortgage Backed	8.05
Asset Backed	1.56
Senior	14.34
Private Debt	8.99
Syndicated Loan	7.06
Cash and Other (incl. derivatives)	5.38

Top 10 holdings

Issuer	ISIN	Portfolio%
National Australia Bank	AU3FN0084828	2.52
ANZ Banking	AU3FN0091583	2.25
Insurance Australia Group	AU3FN0047544	1.87
Suncorp Group	AU3FN0055802	1.86
Commonwealth Bank	AU3CB0315638	1.62
Banco Santander	AU3FN0089652	1.57
Pepper Prime Mortgage Trust	AU3FN0089850	1.54
Rabobank	AU3FN0072732	1.29
Scentre Group	AU3FN0091567	1.27
HSBC Holdings	AU3FN0085726	1.27

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.

Credit rating profile

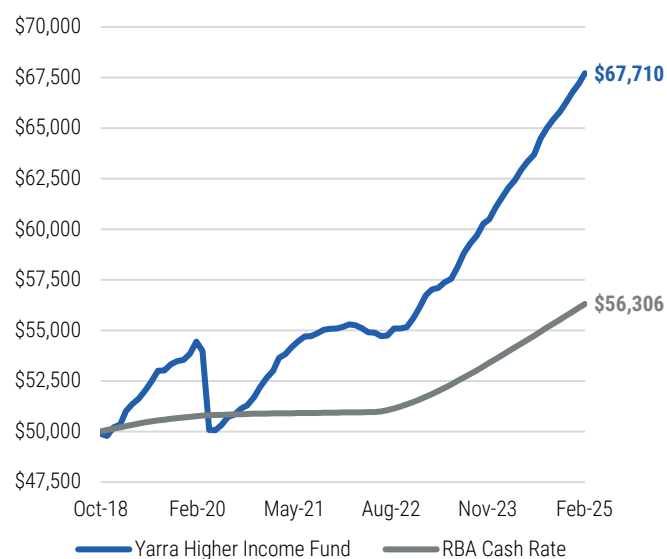
	Portfolio %
AA	4.53
AA-	7.12
A+	0.25
A	2.51
A-	13.23
BBB+	14.28
BBB	28.24
BBB-	7.71
BB+	4.30
BB	7.86
BB-	3.74
B+	2.72
B	3.21
B-	0.31
NR or Below	-

Features

Investment objective	Over the medium-to-long term, the Fund seeks to earn higher returns than traditional fixed income by investing in a highly diversified floating rate portfolio of predominantly Australian domiciled credit securities.	
Fund inception	October 2018	
Fund size	A\$ 162.9 mn as at 28 February 2025	
APIR Code	JBW4379AU	
Estimated management cost	0.65% p.a.	
Buy/sell spread	+/- 0.10%	
Distribution frequency	Monthly	
Platform availability	CFS First Wrap/Edge Hub24 Macquarie Wrap	Netwealth Praemium Powerwrap

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Higher Income Fund, October 2018 to February 2025.



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 Higher Income Fund is \$10,000.

Applications and contacts

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

Website www.yarracm.com

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

Disclaimers

Yarra Funds Management Limited (ABN 63 005 885 567, AFSL 230 251) ("YFM") is the issuer and responsible entity of a range of registered managed investment schemes, which includes those named in this document ("Funds"). YFM is not licensed to provide personal financial product advice to retail clients. The information provided contains general financial product advice only. The advice has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client's objectives, financial situation or needs. Prior to investing in any of the Funds, you should obtain and consider the product disclosure statement ("PDS") and target market determination ("TMD") for the relevant Fund by contacting our Investor Services team on 1800 034 494 or from our website at www.yarracm.com/pdsupdates/. The information set out has been prepared in good faith and while Yarra Funds Management Limited and its related bodies corporate (together, the "Yarra Capital Management Group") reasonably believe the information and opinions to be current, accurate, or reasonably held at the time of publication, to the maximum extent permitted by law, the Yarra Capital Management Group: (a) makes no warranty as to the content's accuracy or reliability; and (b) accepts no liability for any direct or indirect loss or damage arising from any errors, omissions, or information that is not up to date. No part of this material may, without the Yarra Capital Management Group's prior written consent be copied, photocopied, duplicated, adapted, linked to or used to create derivative works in any form by any means.

YFM manages the Fund and will receive fees as set out in the PDS. To the extent that any content set out in this document discusses market activity, macroeconomic views, industry or sector trends, such statements should be construed as general advice only. Any references to specific securities are not intended to be a recommendation to buy, sell, or hold such securities. Past performance is not an indication of, and does not guarantee, future performance. Information about the Fund, including the relevant PDS, should not be construed as an offer to any jurisdiction other than in Australia. With the exception of some Funds that may be offered in New Zealand from time to time (as disclosed in the relevant PDS), we will not accept applications from any person who is not resident in Australia or New Zealand. The Fund is not intended to be sold to any US Persons as defined in Regulation S of the US federal securities laws and has not been registered under the U.S. Securities Act of 1933, as amended.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. Holdings may change by the time you receive this report. Future portfolio holdings may not be profitable. The information should not be deemed representative of future characteristics for the strategy. There can be no assurance that any targets stated in this document can be achieved. Please be advised that any targets shown are subject to change at any time and are current as of the date of this document only. Targets are objectives and should not be construed as providing any assurance or guarantee as to the results that may be realized in the future from investments in any asset or asset class described herein. If any of the assumptions used do not prove to be true, results may vary substantially. These targets are being shown for informational purposes only.

© Yarra Capital Management, 2025.