

Yarra Enhanced Income Fund

Gross returns as at 31 May 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception [^] % p.a.
Yarra Enhanced Income Fund	0.99	1.29	8.65	7.92	6.71	5.85	6.29
Yarra Enhanced Income Fund (incl. franking)	1.01	1.33	8.77	8.08	6.81	6.16	6.86
RBA Cash Rate [#]	0.33	1.01	4.27	3.72	2.27	1.86	3.31
Excess return [‡]	0.67	0.32	4.50	4.36	4.53	4.30	3.56

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 31 May 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception [^] % p.a.
Yarra Enhanced Income Fund	0.94	1.15	8.05	7.33	6.12	5.15	5.51
Yarra Enhanced Income Fund (incl. franking)	0.96	1.19	8.17	7.49	6.21	5.45	6.08
Growth return [†]	0.35	-0.67	1.91	1.72	1.41	0.87	0.11
Distribution return [†]	0.61	1.86	6.27	5.77	4.80	4.58	5.98
RBA Cash Rate [#]	0.33	1.01	4.27	3.72	2.27	1.86	3.31
Excess return [‡]	0.62	0.18	3.90	3.77	3.94	3.59	2.77

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[^] Inception date Yarra Enhanced Income Fund: June 2003.

[†] 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.

[#] 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 including franking and the RBA Cash Rate.

Portfolio review

The Yarra Enhanced Income Fund returned 0.96% (net basis, including franking) over the month, outperforming its benchmark by 62 bps. On a 12-month view the Fund returned 8.17% (net basis, including franking), outperforming the RBA Cash Rate by 390 bps.

During the month, strong performance was driven by tightening spreads and strong income return. While the cash rate has dropped 50 bps from its peak, the strong running yield of the fund has continued to contribute meaningfully to performance. The fund took part in several domestic Tier 2 deals. We also meaningfully increased our exposure to corporate subordinated debt. We continue to actively trade

positions to achieve the best risk adjusted returns.

Market review

Global markets continued to see elevated levels of volatility as policy uncertainty plagued the United States and the outlook for global growth deteriorated. President Trump's tariffs remained a primary focus for markets with the latest round of tariffs targeting steel which saw a doubling of tariffs to 50%. Several developed economies made decisions regarding cash rates during the month. The Bank of England and Reserve Bank of New Zealand continued to cut rates as both central banks face weakening domestic economic conditions. The Bank of Japan kept rates on hold during the month. In the US, the Federal Open Market Committee (FOMC) continued its

cautious approach to monetary policy deciding to keep rates on hold for the month, citing elevated inflation expectations, policy uncertainty and risks of rising unemployment. The US 10-year yield moved higher to 4.41%.

Domestically, the Reserve Bank of Australia (RBA) cut interest rates by 25 bps to 3.85%. Governor Michelle Bullock highlighted that household consumption had not picked up as quickly as forecasted by the RBA. A backdrop of weaker retail sales, moderating inflation and further downside risks led the RBA to consider a 50 bps cut during the meeting. Based on the Statement of Monetary Policy released by the RBA the central bank's current estimated neutral rate is 2.7%. During the month we saw the 3-year yield rise 4 bps to 3.34% and the 10-year yield rise 9 bps to 4.25% with the curve steepening.

May saw a more normalised month of trading after the volatility seen in April. Spreads tightened across the board. In contrast to April where issuance came to a standstill, the month of May saw several new deals come to market, all of which were well subscribed. While the Australian economy has continued to show areas of weakness, corporate balance sheets continue to remain robust and should benefit from falling interest rates. The Australian iTraxx moved tighter by 16 bps and closed the month at 76 bps.

The RMBS/ABS market has continued to see strong levels of issuance, albeit, at a lower level than those seen during 2024. Spreads have mostly recovered since the widening seen in April except for some non-bank primary issuance. Private debt continues to garner attention as tough economic conditions prove challenging for companies further down the credit spectrum. However, the pressures on borrowing costs should be alleviated by the recent rate cuts. Compressed illiquidity premiums have made the asset class less attractive in recent times.

Outlook

Global factors will continue to play a significant role in shaping the domestic market, and the RBA is likely to remain cautious in its decision-making. However, the central bank remains wary of downside risks as statistics highlight weakening GDP alongside lower than expected household consumption. With the estimated neutral rate at 2.7% we expect further easing of the cash rate in the coming months.

Credit conditions in Australia remain robust. While a weakening economy could pose some issues for credits further down the rating spectrum, the easing of financial conditions via rate cuts should help corporates. Policy uncertainty, tariffs and geopolitical tensions do have the ability to impact markets. We remain wary of events that could see credit spreads widen.

Portfolio profile

Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	6.18
Option Adjusted Spread	208
Average weighted issue credit rating	BBB
Average weighted ESG Rating*	BBB+
Estimated yield to maturity (%)	5.56
Fund duration (yrs)	0.82
Spread duration (yrs)	3.59
Number of securities	187
Listed	33
Unlisted	154

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

Sector allocation

	Portfolio %
Asset Backed	-
Banks	47.73
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Finance	8.86
Energy	5.36
Health Care	0.97
Industrials	10.93
Information Technology	0.19
Insurance	12.98
Materials	0.11
Mortgage Backed	-
Real Estate	4.90
Utilities	3.09
Cash & Other	4.88

Top 10 holdings

Issuer	ISIN	Portfolio %
ANZ Banking	AU3FN0091583	2.53
BNP Paribas	AU3FN0094280	1.97
Westpac Banking	AU3CB0322337	1.88
Westpac Banking	AU3CB0304376	1.76
Challenger Life	AU3CB0292324	1.65
Macquarie Bank	AU3FN0085171	1.64
Insurance Australia Group	AU3FN0082640	1.59
BNP Paribas	AU3FN0090353	1.42
Origin Energy	AU3CB0313625	1.42
Credit Agricole	AU3FN0094819	1.33

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	8.50
Callable	75.39
At Maturity	11.24

Security profile

	Portfolio %
Floating rate	57.83
Fixed rate	37.30
Cash & Other	4.88

Credit rating profile

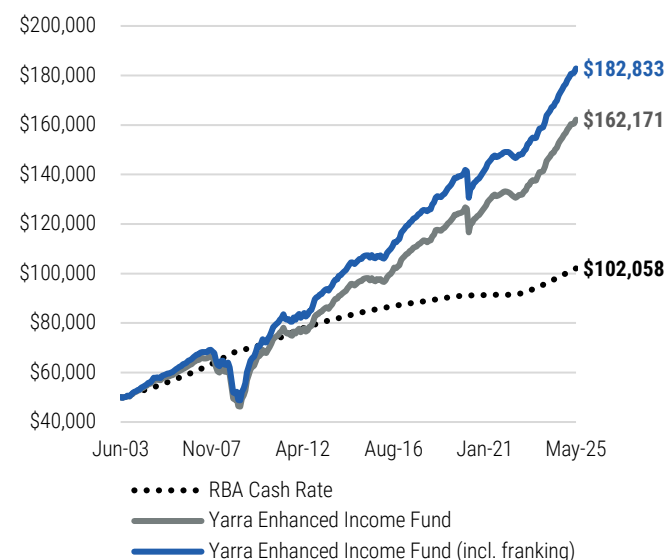
	Portfolio %
A+	0.23
A	0.40
A-	18.22
BBB+	17.40
BBB	40.55
BBB-	8.75
BB+	3.23
BB	4.08
BB-	0.97
B+	0.74
B	0.55
B-	-
Not rated or below	-
Cash and Derivatives	4.88

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\$ 2,283.8 mn as at 31 May 2025	
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 May 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 Enhanced Income Fund is \$10,000.

Applications and contacts

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

Website www.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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