

# Yarra Higher Income Fund

## Gross returns as at 31 May 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception <sup>^</sup> % p.a.
Yarra Higher Income Fund*	0.73	1.71	9.23	8.49	7.13	5.62
RBA Cash Rate <sup>#</sup>	0.33	1.01	4.27	3.72	2.27	1.97
Excess return <sup>†</sup>	0.39	0.70	4.95	4.77	4.85	3.65

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 31 May 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception <sup>^</sup> % p.a.
Yarra Higher Income Fund*	0.67	1.54	8.52	7.79	6.43	4.94
Growth return <sup>†</sup>	0.09	-0.16	1.81	1.10	0.82	-0.23
Distribution return <sup>†</sup>	0.58	1.71	6.71	6.68	5.62	5.17
RBA Cash Rate <sup>#</sup>	0.33	1.01	4.27	3.72	2.27	1.97
Excess return <sup>†</sup>	0.34	0.53	4.25	4.07	4.16	2.97

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\* 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.

<sup>^</sup> Inception date: October 2018.

<sup>†</sup> 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.

<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 and the RBA Cash Rate.

## Portfolio review

The Yarra Higher Income Fund returned 0.67% (net basis) over the month, outperforming the RBA Cash Rate by 34 bps. On a 12-month view the Fund returned 8.52% (net basis), outperforming the RBA Cash Rate by 425 bps.

During the month the Fund continued to benefit from strong income returns. We also saw meaningful spread compression which added positive price performance as markets recovered from 'Liberation Day'. The Fund continues to benefit from the private debt and syndicated loan asset classes which remain less volatile than publicly traded assets. During the month we added some currency hedged USD senior paper from Santos and Woodside, which traded at attractive levels. We also took part in several corporate subordinated deals alongside the Avanti Finance Senior deal. Early in the month we exited our CDS position as the markets stabilised.

## 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
Current yield (%)	6.55
Credit spread (bps)	264
Average weighted issue credit rating	BBB
Average weighted ESG rating*	BBB+
Yield to expected maturity (%)	6.04
Effective duration (years)	0.74
Spread duration (years)	3.17
Number of securities	148

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

### Sector allocation

	Portfolio %
Asset Backed Securities	1.41
Banks	35.22
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Financials	6.39
Energy	4.29
Health Care	0.15
Industrials	9.51
Information Technology	-
Insurance	5.79
Materials	-
Mortgage-Backed Securities	7.07
Private Debt	7.13
Real Estate	4.23
Syndicated Loan	7.12
Utilities	3.26
Cash and Other	8.43

## Security allocation

	Portfolio %
Tier 1	2.78
Tier 2	36.31
Subordinated	13.62
Mortgage Backed	7.07
Asset Backed	1.41
Senior	16.11
Private Debt	7.13
Syndicated Loan	7.12
Cash and Other (incl. derivatives)	8.43

## Top 10 holdings

Issuer	ISIN	Portfolio%
National Australia Bank	AU3FN0084828	2.27
ANZ Banking	AU3FN0091583	2.03
Perenti Finance	USQ7390AAB81	1.81
Westpac Banking	AU3CB0304376	1.55
HSBC Holdings	AU3FN0085726	1.43
Banco Santander	AU3FN0089652	1.41
Aurizon Holdings	AU3FN0098372	1.40
Woodside Finance	US980236AV51	1.30
Santos Finance	USQ82780AG49	1.26
Westpac Banking	AU3CB0311140	1.18

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

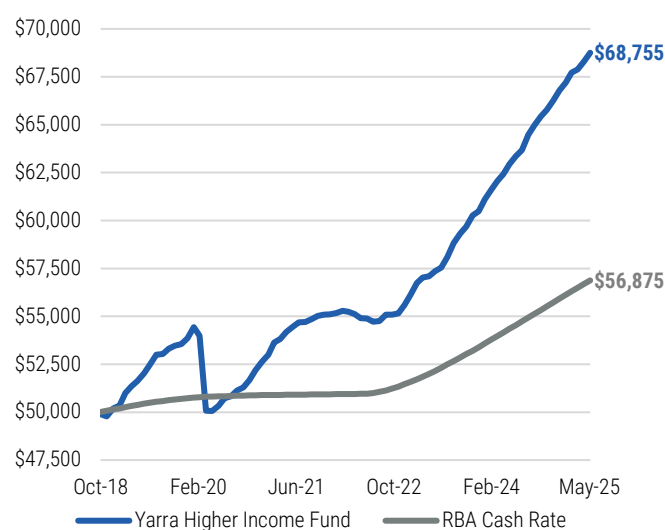
	Portfolio %
AA	3.63
AA-	10.01
A+	0.21
A	2.06
A-	12.92
BBB+	11.79
BBB	25.42
BBB-	9.48
BB+	7.39
BB	7.38
BB-	3.38
B+	3.22
B	2.84
B-	0.28
NR or Below	-

## 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\$ 179.0 mn as at 31 May 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 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 Higher Income Fund is \$10,000.

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## Applications and contacts

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

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

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