

# Yarra Enhanced Income Fund

## Gross returns as at 30 June 2025

	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	0.54	1.76	8.68	8.24	6.56	6.01	6.29
Yarra Enhanced Income Fund (incl. franking)	0.55	1.80	8.80	8.38	6.65	6.30	6.86
RBA Cash Rate <sup>#</sup>	0.31	0.98	4.23	3.80	2.33	1.88	3.31
Excess return <sup>‡</sup>	0.24	0.82	4.57	4.57	4.32	4.42	3.55

**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 30 June 2025

	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	0.49	1.62	8.09	7.65	5.97	5.30	5.51
Yarra Enhanced Income Fund (incl. franking)	0.51	1.66	8.21	7.78	6.06	5.59	6.08
Growth return <sup>†</sup>	-0.11	-0.14	1.86	2.11	1.27	1.06	0.10
Distribution return <sup>†</sup>	0.61	1.80	6.35	5.67	4.79	4.53	5.98
RBA Cash Rate <sup>#</sup>	0.31	0.98	4.23	3.80	2.33	1.88	3.31
Excess return <sup>‡</sup>	0.19	0.68	3.97	3.98	3.73	3.72	2.77

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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 1.66% (net basis, including franking) over the quarter, outperforming its benchmark by 68 bps. On a 12-month view the Fund returned 8.21% (net basis, including franking), outperforming the RBA Cash Rate by 397 bps.

During the quarter strong performance was driven by our income return. While the base cash rate was set lower, outright yields remain strong driving investor demand. Spreads tightened marginally over the quarter contributing to positive price performance, however, with President Trump's 'Liberation Day' tariff announcements and escalating global conflicts, spread movements were more volatile than in

previous quarters. Against this backdrop, our ability to employ duration and adjust yield curve positions contributed to return during the quarter.

We modified portfolio positioning during the quarter by meaningfully increasing our allocation to corporate subordinated debt. With investor demand strong, we saw less frequent names come to market. This was a positive as it allowed us to diversify the portfolio. We were also active participants in new Tier 2 deals.

## Market review

A volatile quarter for markets saw further escalation of geopolitical tensions and US involvement in the Middle East.

Further to this, trade tensions increased as tariff discussions continued to make headlines, with the market uncertain about President Trump's next move. At the time of writing, Trump's tax bill has been passed before the July 4th holiday significantly increasing the US debt. With so much uncertainty, the US Federal Open Market Committee (FOMC) has been reluctant to reduce interest rates with unknown inflation impacts from tariffs. Unemployment in the US has remained at moderate levels during the quarter at 4.2%. In this context, the FOMC has kept the lower bound of the cash rate at 4.25% for the quarter. The US curve steepened during the quarter with the 10-year yield closing at 4.26%.

Across other developed economies we saw the Bank of England cut rates to 4.25%, with the European Central Bank also cutting rates to 2% in response to weakening data. The People's Bank of China has also lowered their policy rate to 3%.

Domestically, the Reserve Bank of Australia (RBA) lowered the cash rate to 3.85% with the market pricing in a number of cuts for the remainder of 2025. With the last quarterly CPI read coming in at 2.4% (y/y) and the most recent monthly at 2.1% (y/y) the RBA board is now focused on ensuring that unemployment numbers do not weaken dramatically. With sluggish GDP growth and domestic consumption lagging RBA expectations, downside risks appear to be the clear focus for the RBA. During the quarter the curve continued to steepen with 3-year yields closing at 3.27% and 10-year yields moving to 4.2%

Issuance throughout the quarter was strong, however, there was the occasional pause as markets reacted to tariffs and speculation that the Middle Eastern conflict would escalate. In this context, we did see some volatility in credit spreads. This has largely abated with spreads closing marginally tighter for the quarter. Australian credit continues to attract strong domestic and international flows as our robust credit environment remains attractive. De-dollarisation has presented opportunities for new names to enter the market with Kangaroo deals. As the base cash rate begins to reduce, investors have chased fixed rate credit. A number of notable deals came to market during the quarter with subordinated debt issuance continuing to be a feature. The Australian iTraxx index closed at 73.5 bps.

## Outlook

The market is pricing in a strong chance of a rate cut in the next RBA monetary meeting. Inflation numbers now pose a downside risk, while further weakening economic data, alongside slowing GDP growth has the market pricing in further cuts in 2026. Currently, unemployment has remained flat at 4.1%. If this number starts to move higher and depart from RBA forecasts, we could see a more aggressive approach to the easing cycle.

With credit conditions remaining favourable for investors, we expect the tightening of spreads to continue, however, we remain vigilant to any potential risk off events stemming from the unstable geopolitical backdrop. The domestic investment grade market continues to prove to be robust, with balance

sheets in good shape. Companies further down the credit rating spectrum should benefit from any rate cuts in 2025. We still expect strong demand for Australian credit, both domestically and internationally.

## Portfolio profile

### Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	6.00
Option Adjusted Spread	203
Average weighted issue credit rating	BBB
Average weighted ESG Rating*	BBB+
Estimated yield to maturity (%)	5.46
Fund duration (yrs)	0.96
Spread duration (yrs)	3.66
Number of securities	186
Listed	34
Unlisted	152

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

### Sector allocation

	Portfolio %
Asset Backed	-
Banks	47.03
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Finance	8.52
Energy	6.95
Health Care	0.93
Industrials	11.27
Information Technology	0.18
Insurance	12.36
Materials	0.11
Mortgage Backed	-
Real Estate	4.76
Utilities	2.35
Cash & Other	5.53

## Top 10 holdings

Issuer	ISIN	Portfolio %
ANZ Banking	AU3FN0091583	2.43
BNP Paribas	AU3FN0094280	1.90
Westpac Banking	AU3CB0322337	1.85
Westpac Banking	AU3CB0304376	1.71
Challenger Life	AU3CB0292324	1.60
Insurance Australia Group	AU3FN0082640	1.52
Worley Financial Services	AU3CB0320471	1.50
Macquarie Bank	AU3FN0085171	1.48
Ampol Limited	AU3FN0094520	1.44
Origin Energy	AU3CB0313625	1.38

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	8.45
Callable	75.16
At Maturity	10.86

## Security profile

	Portfolio %
Floating rate	56.03
Fixed rate	38.44
Cash & Other	5.53

## Credit rating profile

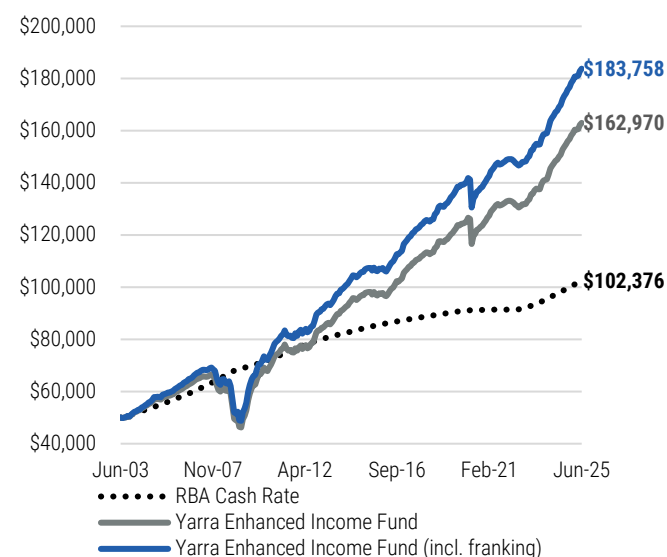
	Portfolio %
A+	0.22
A	0.39
A-	17.46
BBB+	16.49
BBB	41.65
BBB-	8.97
BB+	3.17
BB	3.89
BB-	0.98
B+	0.72
B	0.53
B-	-
Not rated or below	-
Cash and Derivatives	5.53

## 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\$ 2,369.6 mn as at 30 June 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 June 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.

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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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