

# Yarra Enhanced Income Fund

## Gross returns as at 31 July 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	1.02	2.57	8.36	8.48	6.69	6.00	6.31
Yarra Enhanced Income Fund (incl. franking)	1.02	2.60	8.48	8.61	6.78	6.29	6.89
RBA Cash Rate <sup>#</sup>	0.32	0.97	4.19	3.88	2.39	1.89	3.31
Excess return <sup>‡</sup>	0.70	1.63	4.29	4.73	4.39	4.40	3.57

**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 July 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	0.97	2.43	7.77	7.88	6.10	5.30	5.54
Yarra Enhanced Income Fund (incl. franking)	0.97	2.45	7.88	8.01	6.20	5.59	6.10
Growth return <sup>†</sup>	0.61	0.85	1.61	2.31	1.33	1.03	0.13
Distribution return <sup>†</sup>	0.36	1.61	6.27	5.70	4.87	4.56	5.98
RBA Cash Rate <sup>#</sup>	0.32	0.97	4.19	3.88	2.39	1.89	3.31
Excess return <sup>‡</sup>	0.65	1.48	3.70	4.14	3.80	3.70	2.79

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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 0.97% (net basis, including franking) over the month, outperforming its benchmark by 65 bps. On a 12-month view the Fund returned 7.88% (net basis, including franking), outperforming the RBA Cash Rate by 370 bps.

In July we saw strong performance, primarily driven by the tightening of credit spreads and strong income returns. Following the July RBA meeting, we saw some negative price performance from our exposure to fixed rate bonds, however, this was largely offset by our futures positions.

During the month we took part in several primary deals, which

included Dyno Noble senior deal alongside the NAB and Lloyds Banking Tier 2 deals. 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 August 1<sup>st</sup>, the day of President Trump's tariff deadline, drew closer. Amidst commentary around pharma tariffs, and tariffs on raw materials, US economic data began to show weakness. At the end of the month, we saw the US nonfarm payrolls data fall short of market expectations causing the unemployment rate to tick up to 4.2%. As a result bond markets rallied.

During July we saw President Trump continue to pressure the

Federal Reserve (Fed) into cutting interest rates. However, this was to no avail with the US Federal Open Market Committee (FOMC) keeping the policy rate on hold, referencing sustained risks of higher inflation. The US 10-Year bond yield rallied to 4.38% during the month. The European Central Bank (ECB) kept rates on hold as it waits to assess the impact of tariffs while the Bank of Canada (BoC) also kept rates at 2.75% as their economy remains resilient in the face of tariffs.

Domestically, the Reserve Bank of Australia (RBA) kept interest rates on hold at 3.85% in a decision that saw the Board's vote split 6-3. The RBA cited several reasons behind the decision with the most prominent being that there had been no material change to their forecast. This did take the market by surprise as a July rate cut had been fully priced in.

Data later in the quarter has shown that the Australian economy may be deteriorating faster than forecast, with the unemployment rate jumping to 4.3% from 4.1%. Quarterly headline inflation is also at risk of dropping to the lower range of the band with the latest read coming in at 2.1%. The curve flattened by 5 bps during the month, with the Australian 3-year bond selling off with the yield moving to 3.42% and the yield on the 10-year bond selling off to 4.29%.

July saw credit spreads broadly tighten across both financial and corporate credit. The higher outright yields, constructive risk backdrop and a lack of supply continue to drive spreads lower. Primary Issuance during the month continued to highlight the pace of credit demand with the Port of Newcastle pricing a deal which was 10-times oversubscribed. Dyno Nobel also priced an inaugural deal which was similarly 8-times oversubscribed. The Australian iTraxx tightened 5 bps to 68.4 bps over the month.

## 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, given the increase in the unemployment rate and with CPI firmly in the RBA's band we expect there to be further interest rate cuts this year.

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. The August company reporting season should give further indications as to the health of credit markets in Australia.

## Portfolio profile

### Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	5.75
Option Adjusted Spread	181
Average weighted issue credit rating	BBB+
Average weighted ESG Rating*	BBB+
Estimated yield to maturity (%)	5.23
Fund duration (yrs)	0.89
Spread duration (yrs)	3.63
Number of securities	188
Listed	34
Unlisted	154

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

### Sector allocation

	Portfolio %
Asset Backed	-
Banks	45.23
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Finance	8.87
Energy	6.66
Health Care	0.92
Industrials	11.43
Information Technology	0.17
Insurance	11.59
Materials	0.46
Mortgage Backed	-
Real Estate	4.46
Utilities	2.21
Cash & Other	8.00

## Top 10 holdings

Issuer	ISIN	Portfolio %
ANZ Banking	AU3FN0091583	2.27
National Australia Bank	AU3CB0324226	1.84
BNP Paribas	AU3FN0094280	1.79
Westpac Banking	AU3CB0322337	1.74
Westpac Banking	AU3CB0304376	1.60
Aurizon Finance	AU3FN0098372	1.52
Challenger Life	AU3CB0292324	1.49
Ampol Limited	AU3FN0094520	1.48
Insurance Australia Group	AU3FN0082640	1.42
Worley Financial Services	AU3CB0320471	1.40

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	6.84
Callable	73.80
At Maturity	11.36

## Security profile

	Portfolio %
Floating rate	53.30
Fixed rate	38.70
Cash & Other	8.00

## Credit rating profile

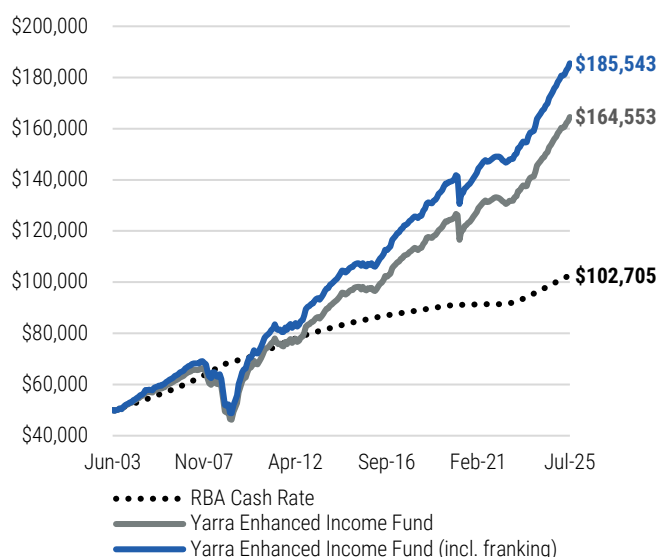
	Portfolio %
A+	0.21
A	0.36
A-	18.13
BBB+	15.41
BBB	39.29
BBB-	9.49
BB+	3.36
BB	3.67
BB-	0.92
B+	0.68
B	0.49
B-	-
Not rated or below	-
Cash and Derivatives	8.00

## 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\$2,548.2 mn as at 31 July 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 July 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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