

Yarra Higher Income Fund

Gross returns as at 31 July 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.91	2.28	8.87	9.10	7.22	5.72
RBA Cash Rate [#]	0.32	0.97	4.19	3.88	2.39	2.02
Excess return [†]	0.59	1.31	4.68	5.22	4.82	3.70

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 July 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.85	2.11	8.17	8.39	6.52	5.04
Growth return [†]	0.45	0.48	1.26	2.67	0.88	-0.16
Distribution return [†]	0.41	1.64	6.90	5.72	5.64	5.20
RBA Cash Rate [#]	0.32	0.97	4.19	3.88	2.39	2.02
Excess return [†]	0.53	1.14	3.98	4.51	4.13	3.02

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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.

[^] 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 0.85% (net basis) over the month, outperforming the RBA Cash Rate by 53 bps. On a 12-month view the Fund returned 8.17% (net basis), outperforming the RBA Cash Rate by 398 bps.

Strong income returns remained a feature of positive performance during the month. We also saw meaningful spread compression which added positive price performance as strong demand for primary and secondary assets continued. 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 NAB Tier 2 debt to the portfolio, which priced at attractive levels alongside taking part in the Dyno Nobel senior deal. We continue to actively trade positions in secondary to achieve the best risk-adjusted returns.

Market review

Global markets continued to see elevated levels of volatility as August 1st, 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.

The RMBS/ABS market has continued to see strong levels of demand and significant tightening of spreads, particularly in primary. During the month we saw the return of Kingfisher (ANZ RMBS) alongside several non-ADI deals. Private debt markets continue to make headlines as illiquidity premiums remain tight. Compressed margins are making the asset class less attractive.

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
Current yield (%)	6.34
Credit spread (bps)	242
Average weighted issue credit rating	BBB
Average weighted ESG rating*	BBB+
Yield to expected maturity (%)	5.94
Effective duration (years)	0.89
Spread duration (years)	3.28
Number of securities	148

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

Sector allocation

	Portfolio %
Asset Backed Securities	1.19
Banks	31.96
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Financials	7.42
Energy	7.31
Health Care	0.13
Industrials	10.33
Information Technology	-
Insurance	5.15
Materials	0.75
Mortgage-Backed Securities	6.18
Private Debt	7.56
Real Estate	3.76
Syndicated Loan	7.78
Utilities	2.41
Cash and Other	8.07

Security allocation

	Portfolio %
Tier 1	1.63
Tier 2	33.68
Subordinated	16.93
Mortgage Backed	6.18
Asset Backed	1.19
Senior	16.98
Private Debt	7.56
Syndicated Loan	7.78
Cash and Other (incl. derivatives)	8.07

Top 10 holdings

Issuer	ISIN	Portfolio%
ANZ Banking	AU3FN0091583	2.65
Nextera Energy Capital	AU3CB0322691	2.52
National Australia Bank	AU3FN0084828	2.04
Clearview Wealth	AU3FN0096780	1.75
Aurizon Holdings	AU3FN0098372	1.73
Perenti Finance	USQ7390AAB81	1.63
Iron Mountain Australia	XXAU0IRON024	1.48
Westpac Banking	AU3CB0304376	1.40
Ampol	AU3FN0094520	1.27
HSBC Holdings	AU3FN0085726	1.26

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

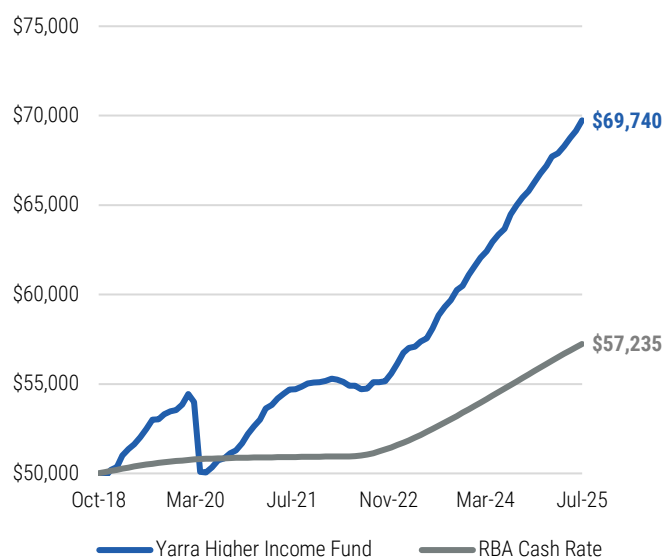
	Portfolio %
AA	3.52
AA-	9.47
A+	0.19
A	2.33
A-	11.03
BBB+	10.56
BBB	28.54
BBB-	10.08
BB+	7.52
BB	8.92
BB-	3.00
B+	2.85
B	1.73
B-	0.25
NR or Below	-

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\$202.8 mn as at 31 July 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 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 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

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