

Yarra Higher Income Fund

Gross returns as at 31 August 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.80	2.35	8.79	9.14	7.25	5.77
RBA Cash Rate [#]	0.31	0.94	4.13	3.93	2.45	2.04
Excess return [‡]	0.49	1.41	4.66	5.21	4.80	3.73

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 August 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.74	2.18	8.09	8.43	6.56	5.09
Growth return [†]	0.33	0.72	1.30	2.70	0.87	-0.11
Distribution return [†]	0.41	1.46	6.79	5.74	5.68	5.20
RBA Cash Rate [#]	0.31	0.94	4.13	3.93	2.45	2.04
Excess return [‡]	0.43	1.24	3.96	4.50	4.10	3.05

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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 0.74% (net basis) over the month, outperforming the RBA Cash Rate by 43 bps. On a 12-month view the Fund returned 8.09% (net basis), outperforming the RBA Cash Rate by 396 bps.

Strong income returns continued to be a major driver of performance during the month. With continued tightening of credit spreads, we also saw price performance contribute positively to return.

During the month we took part in both ANZ Tier 2 and GC Leasing Senior primary deals. We also took part in the Fund's third warehouse opportunity which will contribute meaningfully to the funds running yield.

Market review

Global markets continued to see heightened volatility as uncertainty remains around President Trump's tariffs. The Trump administration continues to place pressure on the

Federal Reserve Chairman Jerome Powell and the board to lower rates from their current 4.25% level. However, with persistent upside risk to inflation and an unemployment rate at 4.2% (y/y), the Federal Open Market Committee (FOMC) continues to display a level of caution with regards to reducing interest rates. During the month, the US 10-year yield lowered by 15 bps. Elsewhere, we saw the Reserve Bank of New Zealand (RBNZ) cut interest rates further in response to the continued weakening of economic conditions. We also saw the Bank of England (BoE) further lower their cash rate to 4%.

Domestically the Reserve Bank of Australia (RBA) cut interest rates to 3.6%. This was the result of headline CPI remaining in the band for the 12th consecutive month with the latest quarterly read coming in at 2.1%. Additionally, we note that trimmed mean inflation has remained in the 2-3% band for the past 8 months. As a result of some weakening in the labour market, the unemployment rate rose to 4.3% in late July, this acted as the catalyst for the RBA to cut rates. The curve steepened slightly by 3 bps during the month with the Australian 3-year bond yield moving to 3.4% and the yield on

the 10-year bond selling off to 4.27%.

Corporate credit spreads continue to be well supported, with credit curves flattening on the back of better long end buying. Credit spreads also tightened following positive August reporting results, with most corporates providing evidence of stronger or stable balance sheets. In terms of primary issuance, the month saw mammoth book sizes, multiple inaugural issuances from offshore, and the first 20-year deal in the AUD public market (ANZ Tier 2 20yr bullet, followed by unprecedented interest in EDF 20-year deal). The Australian iTraxx tightened 1 bp over the month to 67 bps.

The RMBS/ABS market has continued to see strong levels of demand and significant tightening of spreads, particularly in primary. Deal flow has continued to pick up as tight spreads and heavily oversubscribed deals make it an issuer friendly market. Private debt markets are beginning to show more attractive risk adjusted returns as illiquidity premiums return.

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. The unemployment rate will be a key factor in determining how many further rates cuts we see.

Credit conditions in Australia remain robust with the domestic reporting season showing stable balance sheets. If stable employment and moderating inflation persist, we expect the economy to remain supportive of credit growth. We expect demand for Australian credit to remain attractive for both domestic and international investors given the uncertain global backdrop.

Portfolio profile

Portfolio characteristics

	Portfolio
Current yield (%)	6.22
Credit spread (bps)	238
Average weighted issue credit rating	BBB
Average weighted ESG rating*	BBB+
Yield to expected maturity (%)	5.82
Effective duration (years)	1.22
Spread duration (years)	3.27
Number of securities	155

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

Sector allocation

	Portfolio %
Asset Backed Securities	1.07
Banks	32.36
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Financials	7.77
Energy	6.75
Health Care	0.12
Industrials	9.54
Information Technology	-
Insurance	4.75
Materials	0.69
Mortgage-Backed Securities	5.53
Private Debt	9.85
Real Estate	3.48
Syndicated Loan	7.17
Utilities	2.67
Cash and Other	8.23

Security allocation

	Portfolio %
Tier 1	1.49
Tier 2	33.97
Subordinated	16.10
Mortgage Backed	5.53
Asset Backed	1.07
Senior	16.58
Private Debt	9.85
Syndicated Loan	7.17
Cash and Other (incl. derivatives)	8.23

Top 10 holdings

Issuer	ISIN	Portfolio%
ANZ Banking	AU3FN0091583	2.45
Nextera Energy Capital	AU3CB0322691	2.33
National Australia Bank	AU3FN0084828	1.86
Auswide Warehouse	XXAU00ABA144	1.66
Clearview Wealth	AU3FN0096780	1.63
ANZ Banking	AU3CB0324762	1.60
Aurizon Holdings	AU3FN0098372	1.57
Perenti Finance	USQ7390AAB81	1.49
Macquarie Bank	USQ568A9ST52	1.40
Ausnet Services	AU3FN0095519	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.

Credit rating profile

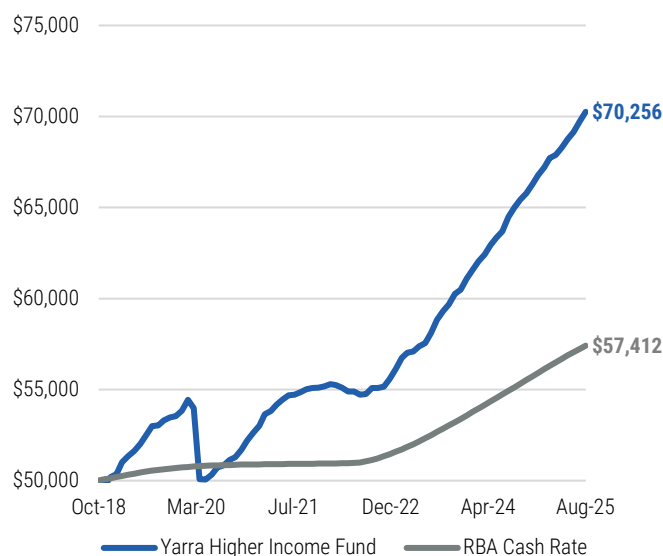
	Portfolio %
AA+	0.22
AA	4.66
AA-	9.52
A+	0.49
A	2.22
A-	11.75
BBB+	11.38
BBB	27.08
BBB-	9.84
BB+	7.06
BB	8.28
BB-	3.05
B+	2.34
B	1.91
B-	0.23

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\$ 220.8 mn as at 31 August 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 August 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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