Yarra Higher Income Fund

Gross returns as at 30 September 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception^ % p.a.
Yarra Higher Income Fund*	0.57	2.29	8.63	9.33	7.29	5.79
RBA Cash Rate#	0.29	0.92	4.07	3.97	2.51	2.06
Excess return‡	0.28	1.37	4.56	5.36	4.78	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 30 September 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception^ % p.a.
Yarra Higher Income Fund*	0.51	2.12	7.93	8.62	6.60	5.10
Growth return†	0.11	0.90	1.31	2.86	0.86	-0.10
Distribution return†	0.40	1.23	6.62	5.76	5.74	5.20
RBA Cash Rate#	0.29	0.92	4.07	3.97	2.51	2.06
Excess return‡	0.22	1.20	3.86	4.65	4.09	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 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.
\# 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 2.12% (net basis) over the quarter, outperforming the RBA Cash Rate by 120 bps. On a 12-month view the Fund returned 7.93% (net basis), outperforming the RBA Cash Rate by 386 bps.

During the quarter, the Fund continued to benefit from its high running yields. The Fund's allocation to loans and private debt continued to perform well, providing strong income returns with minimal volatility. Late in the quarter we initiated a CDS position to provide cost-effective protection against potential market sell offs.

We were active in primary markets, taking part in both the Australian Unity Tier 1 placement and UBS AUD Tier 1 deal. We also added another warehouse deal to the portfolio, alongside multiple new syndicated loans. We also added new names to the portfolio via deals from Dyno Nobel, NextEra Energy and GC Leasing.

Market review

While markets continued to be volatile during the quarter, noise surrounding tariffs and the changing trade landscape dissipated slightly.

Global markets have continued to see structural shifts away from USD assets as global investors reassess asset allocations. Data out of the US has remained relatively stable, however an uptick in the unemployment rate to 4.3% prompted the Federal Open Market Committee (FOMC) to reduce the cash rate by 25 bps in the September meeting (4.00% lower band). Upside inflation risk remains a notable key theme for the FOMC which continues to be cautious in its outlook and in signalling any further rate cuts to the market. In the quarter, Stephen Miran was added to the FOMC as the replacement for Governor Kugler. In the US, the 10-year bond yield declined to close the quarter at 4.13%.

In other developed market news, we continued to see weak economic data out of the UK as the unemployment rate remained at 4.7%. In response, the Bank of England (BoE) reduced the cash rate to 4% in its August meeting. The Bank of Canada (BoC) and the Reserve Bank of New Zealand (RBNZ) followed a similar path, with both central banks lowering their respective cash rates in response to higher unemployment and stagnant GDP data.

Domestically, the Reserve Bank of Australia (RBA) reduced rates to 3.60% in its August meeting following a surprise hold in July. The unemployment rate remains relatively stable at 4.2%, while quarterly trimmed mean inflation appears to be tracking in line with the RBA's forecast. In the recent September meeting, a 0.1% upside surprise to the monthly inflation print did have markets reducing expectations of a November rate cut. Private sector demand, retail sales and household savings rates have all improved in the wake of the initial 75 bps of rate cuts. The yield curve flattened, with the 3-year yield rising to 3.56% and the 10-year yield rising to 4.32% over the period.

Credit spreads continued to tighten during the quarter. As we made our way through corporate reporting season, we saw demand side pressures combine with a lull in issuance from corporates, contributing to substantially oversubscribed deals.

Notably, we saw EDF and ANZ bring 20-year deals to market, evidencing the continued maturation of Australian credit markets. Increased interest from international investors in Australian Dollar credit has seen several new names come to market. We also witnessed the first international bank AT1 issuance in many years, as UBS completed their $1.25 billion deal in September.

Domestic reporting season continued to highlight the health of Australian corporates, with balance sheets remaining robust and most investment grade companies displaying strong liquidity. The Australian iTraxx closed the quarter tighter at 65.7 bps.

RMBS/ABS issuance also picked up during the quarter as strong demand continued to encourage issuance. Spread compression continued across all tranches, with mezzanine debt seeing significant tightening. Private credit was subject to headlines late in the quarter as regulatory pressures continue. For quality assets, the sector has continued to provide attractive risk.

Outlook

The market has tempered expectations of a November rate cut off the back of a slightly higher-than-expected monthly CPI read. We expect the RBA to continue to be focused on the quarterly CPI print which will be released in late October. If we see the unemployment rate and quarterly CPI data remain within the RBA's forecast, we expect to see more interest rate cuts given the RBA still views monetary policy as restrictive.

With corporate balance sheets remaining robust and further potential interest rate cuts, credit conditions in Australia remain favourable. Absent any major global risk-off events, we expect the structural shift to Australian dollar assets to continue to amplify spread compression. As the Australian credit market continues to grow, conditions remain favourable for new and existing issuers bringing primary deals to market. In this context we expect to continue to see strong levels of liquidity.

Portfolio profile

Portfolio characteristics

	Portfolio
Current yield (%)	6.30
Credit spread (bps)	241
Average weighted issue credit rating	BBB
Average weighted ESG rating*	BBB+
Yield to expected maturity (%)	5.95
Effective duration (years)	1.50
Spread duration (years)	2.63
Number of securities	163

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

Sector allocation

	Portfolio %
Asset Backed Securities	0.96
Banks	30.02
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Financials	7.66
Energy	6.80
Health Care	0.11
Industrials	8.77
Information Technology	-
Insurance	5.40
Materials	0.64
Mortgage-Backed Securities	4.90
Private Debt	9.75
Real Estate	3.18
Syndicated Loan	10.68
Utilities	2.47
Cash and Other	8.65

Security allocation

	Portfolio %
Tier 1	2.41
Tier 2	31.46
Subordinated	15.38
Mortgage Backed	4.90
Asset Backed	0.96
Senior	15.82
Private Debt	9.75
Syndicated Loan	10.68
Cash and Other (incl. derivatives)	8.65

Top 10 holdings

Issuer	ISIN	Portfolio%
ANZ Banking	AU3FN0091583	2.29
Nextera Energy Capital	AU3CB0322691	2.16
ATI Global	XXAU0ATIF012	2.11
National Australia Bank	AU3FN0084828	1.73
Auswide Warehouse	XXAU00ABA144	1.54
Clearview Wealth	AU3FN0096780	1.49
ANZ Banking	AU3CB0324762	1.48
Aurizon Holdings	AU3FN0098372	1.46
Perenti Finance	USQ7390AAB81	1.37
Macquarie Bank	USQ568A9ST52	1.29

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

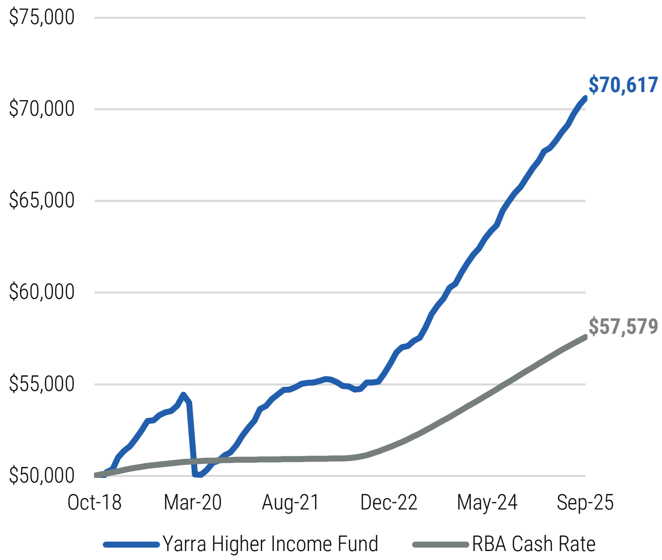
	Portfolio %
AA+	0.19
AA	4.01
AA-	9.84
A+	0.27
A	1.80
A-	10.63
BBB+	10.47
BBB	25.42
BBB-	9.46
BB+	6.76
BB	8.28
BB-	5.39
B+	2.16
B	5.09
B-	0.21
NR or Below	-

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$239.1 mn as at 30 September 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 September 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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