

Yarra Higher Income Fund

Gross returns as at 31 October 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.56	1.94	8.59	9.47	7.24	5.80
RBA Cash Rate [#]	0.30	0.90	4.01	4.00	2.57	2.07
Excess return [†]	0.26	1.03	4.58	5.47	4.67	3.72

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 October 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.50	1.77	7.89	8.76	6.54	5.11
Growth return [†]	0.10	0.55	1.43	2.96	0.78	-0.08
Distribution return [†]	0.40	1.22	6.46	5.80	5.76	5.20
RBA Cash Rate [#]	0.30	0.90	4.01	4.00	2.57	2.07
Excess return [†]	0.20	0.87	3.88	4.76	3.98	3.04

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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 0.50% (net basis) over the month, outperforming the RBA Cash Rate by 20 bps. On a 12-month view the Fund has returned 7.89% (net basis), outperforming the RBA Cash Rate by 388 bps.

Positive performance for the month was primarily driven by income returns. Our allocation to Syndicated Loans and Warehousing continues to contribute meaningfully to cash income received. With further tightening of credit spreads, we saw some marginally positive price performance.

During the month we increased our allocation to subordinated debt. We took part in both the Lendlease and Ampol subordinated notes which both priced at attractive levels. We continue to hold our CDS position which provides cost-effective protection against a potential sell off in credit spreads.

Market review

US risk markets continued to edge higher despite ongoing political instability and a month-long government shutdown.

The Federal Open Market Committee (FOMC) delivered another rate cut in the month, and also announced they would end their balance sheet reduction (QT) on December 1st. Post its meeting, Fed Reserve Chair Powell advised that another rate cut in December is not a foregone conclusion, "on fact, far from it". Markets responded with a modest sell-off in bonds but closed the month lower.

Elsewhere, the Reserve Bank of New Zealand (RBNZ) continued its easing cycle amid elevated unemployment and sluggish growth. The Bank of Canada (BoC) also lowered its cash rate target to 2.25%, and markets largely ignored France's credit rating downgrade.

Domestically, a stronger than expected trimmed mean inflation measure of 3.0% (y/y) saw the market abandon any expectation of further rate cuts for the remainder of 2025. The

Reserve Bank of Australia (RBA) met in November and kept the cash rate on hold. Post the meeting, the RBA acknowledged the recent higher-than-expected unemployment rate, however, also maintained that labour market conditions remained tight. In the Statement on Monetary Policy, the inflation outlook was revised slightly higher, with trimmed mean inflation projected to remain above the 2-3% target band until the second half of 2026.

During the month, we saw some marginal spread compression as demand for Australian credit remained strong. Offshore investors continue to allocate into AUD assets, with Australian credit offering attractive relative value. Primary activity during the month remained robust, with several new names coming to market. Of note, Lendlease Finance issued a subordinated perpetual non call 3-year deal, priced attractively on both a cash and franking adjusted basis. Deals priced during the month continued to see prices tighten during the book build process. Additionally, decent levels of oversubscription, underscored strong demand. The Australian iTraxx closed flat to last month at 65.8 bps, reflecting a stable credit risk sentiment.

The RMBS/ABS market has continued to see strong levels of demand and, particularly in primary, a significant tightening of spreads. Deal flow has been strong as tight spreads and oversubscribed deals make it an issuer-friendly market with transactions frequently upsized. Private debt markets are beginning to show more attractive risk-adjusted returns as illiquidity premia returns.

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. Following a slightly stronger than expected inflation print last quarter, the RBA will remain wary of upside risks to inflation. The labour market will also be a key determinant for any future policy adjustments.

Credit conditions in Australia remain robust as financial conditions continue to ease. Absent any major global risk-off events, we expect the structural shift to Australian dollar assets to persist, amplifying spread compression. As the Australian credit market continues to grow, conditions will likely remain favourable to both 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 (%)	6.13
Credit spread (bps)	224
Average weighted issue credit rating	BBB
Average weighted ESG rating*	BBB+
Yield to expected maturity (%)	5.83
Effective duration (years)	1.51
Spread duration (years)	2.69
Number of securities	176

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

Sector allocation

	Portfolio %
Asset Backed Securities	0.80
Banks	28.84
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Financials	7.21
Energy	6.54
Health Care	0.10
Industrials	11.38
Information Technology	-
Insurance	6.27
Materials	0.56
Mortgage-Backed Securities	4.98
Private Debt	8.50
Real Estate	3.70
Syndicated Loan	10.16
Utilities	2.16
Cash and Other	8.81

Security allocation

	Portfolio %
Tier 1	4.08
Tier 2	29.17
Subordinated	16.27
Mortgage Backed	4.98
Asset Backed	0.80
Senior	17.23
Private Debt	8.50
Syndicated Loan	10.16
Cash and Other (incl. derivatives)	8.81

Top 10 holdings

Issuer	ISIN	Portfolio%
ANZ Banking	AU3FN0091583	1.97
Nextera Energy Capital	AU3CB0322691	1.89
ATI Global	XXAU0ATIF012	1.85
UBS Group	CH1485827070	1.83
Weir Group	AU3CB0327369	1.80
National Australia Bank	AU3FN0084828	1.49
Insurance Australia Group	AU3FN0102158	1.49
Auswide Warehouse	XXAU00ABA144	1.34
Clearview Wealth	AU3FN0096780	1.32
ANZ Banking	AU3CB0324762	1.30

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

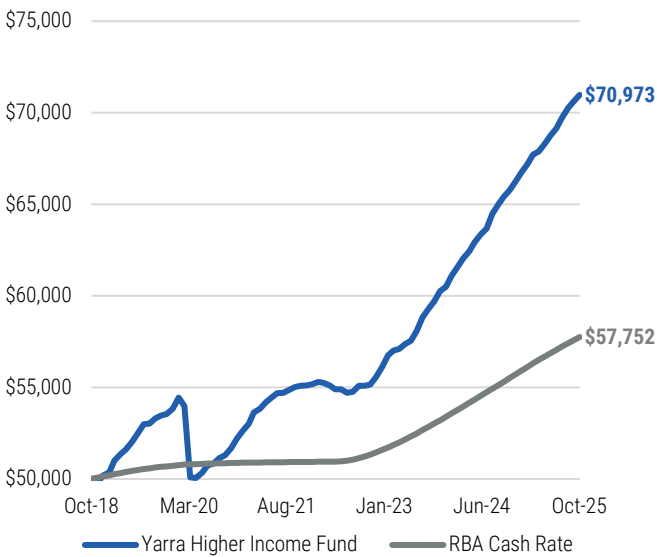
	Portfolio %
AA+	0.17
AA	3.49
AA-	10.39
A+	0.13
A	1.57
A-	10.40
BBB+	9.71
BBB	23.98
BBB-	11.82
BB+	5.89
BB	9.44
BB-	6.53
B+	1.87
B	4.42
B-	0.18
NR or Below	-

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\$274.5 mn as at 31 October 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 October 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

Investor Services Team 1800 034 494 (Australia) +61 3 9002 1980 (Overseas) IST@yarracm.com

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