Yarra Australian Bond Fund

Net returns as at 30 November 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.
Yarra Australian Bond Fund	-0.91	-0.30	5.31	4.02	-0.05	2.40	4.76
Growth return#	-0.91	-1.31	1.58	1.66	-1.80	-0.79	-0.08
Distribution return#	0.00	1.00	3.73	2.36	1.75	3.18	4.84
Bloomberg AusBond Composite 0+YR Index	-0.88	-0.42	4.35	3.21	-0.36	2.13	4.65
Excess return#	-0.03	0.12	0.96	0.81	0.31	0.27	0.11

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 prepared on an exit to exit basis – they include all ongoing fees and expenses and assume reinvestment of all distributions.

#Growth returns are measured by the movement in the 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. Excess return is the difference between the Fund's net return and its benchmark (Bloomberg AusBond Composite 0+YR Index).

*Inception date: July 2000.

Portfolio review

After fees and expenses, the Fund returned -0.91% to underperform the benchmark by 3 basis points (bps).

A strong employment print and a higher-than-expected monthly CPI reading led the market to reassess the timing and magnitude of the RBA's current monetary easing cycle, which in turn continued the market's selling momentum and pushed bond yields higher across the curve.

The Fund began the month with an overweight duration position of 0.48 years and finished at 0.32 years. This reduction occurred as bonds sold off, helping to offset some of the impact of rising yields. The Fund remains positioned to benefit from a steeper yield curve between 3- and 10-year maturities, and a flatter curve between 10- and 15-year maturities. Over the month, the 3–10 year curve flattened slightly, while the 10–15 year curve flattened more markedly, resulting in a neutral performance impact.

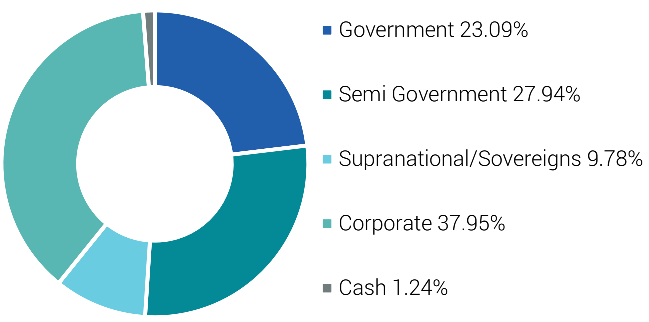
Sector positioning favours an overweight to spread, primarily in senior financials, residential mortgage-backed securities, and high-grade corporates with maturities out to five years. The Fund's overweight credit position contributed slightly to performance this month, as credit spreads remained tight during the bond sell-off, while the overweight allocation to semi-government bonds was neutral.

Fund Overview

Characteristics	Fund	Benchmark	Difference
Modified Duration (yrs)	5.21	4.89	0.32
Corporate Spread Duration (yrs)	0.90	0.33	0.57
Total Spread Duration (yrs)	3.69	2.46	1.23
Yield to Maturity (%)	4.80	4.39	0.40
Average Coupon (%)	3.75	3.09	0.66
Weighted-average Credit Rating#	A+	AA	-

#Standard & Poor's

Portfolio Asset Allocation



Risk Characteristics

3 Year Volatility (p.a.)	5.21%
3 Year Tracking Error (p.a.)	0.51%

Market Commentary

The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, returned -0.88% in November. Another uncomfortably high inflation reading during the month prompted markets to reassess early-2026 rate-cut expectations, with some participants even contemplating the possibility of a rate hike.

The 3-year government bond yield climbed 27 basis points (bps) to 3.87%, while the 10-year government bond yield rose 22 bps to 4.51%. This led to a flattening of the bond yield curve by 5 basis points, narrowing the spread to 64 bps. Short-term bank bill rates edged higher over the month, with the 3-month rate rising 2 bps to 3.66% and the 6-month rate increasing 9 bps to 3.97%. The Australian dollar strengthened against the US dollar, ending the month at USD 0.66.

The Reserve Bank of Australia (RBA) held its cash rate steady at 3.6% in November 2025 — matching market expectations. The Bank noted inflation has dropped sharply from its 2022 peak, despite an uptick in September. The Board considers part of the September quarter's lift in underlying inflation to be temporary. The November Statement on Monetary Policy assumption is for one more 2026 rate cut, underlying inflation is expected to temporarily exceed 3%, outside the 2–3% target band, before moderating to 2.6% by 2027.

The October Monthly CPI release marked Australia's shift from the quarterly CPI to the full monthly measure as the primary gauge of inflation. The Consumer Price Index (CPI) rose 3.8% in the 12 months to October 2025, up from 3.6% in the 12 months to September 2025. The RBA's preferred measure of underlying inflation trimmed mean inflation was 3.3% in the 12 months to October 2025, up from 3.2% in the 12 months to September 2025. Both inflation readings came in slightly above the RBA's forecasts of 3.7% headline and 3.2% trimmed mean. The data confirmed that inflationary momentum remains stronger and more persistent than policymakers had hoped. The removal of electricity subsidies continues to distort the data, with electricity prices now 37% higher than a year ago.

Domestic data releases indicate that the Australian economy continues to show resilience. Australia's seasonally adjusted unemployment rate fell to 4.3% in October 2025, down from September's near four-year high of 4.5% and coming in slightly below the market forecast of 4.4%. Cotality's national Home Value Index rose another 1.0% in November, with demand continuing to outweigh supply. Looking ahead, affordability constraints and diminished expectations for rate cuts may weigh on housing-market growth as we move into 2026.

Top 10 Issuers

Security	Rating
Commonwealth Government Bonds	AAA
New South Wales Treasury Corporation	AA+
Queensland Treasury Corporation	AA+
Treasury Corporation of Victoria	AA
International Finance Corporation	AAA
PSP Capital Inc	AAA
South Australian Govt Financial Authority	AA+
Metropolitan Life Global Funding I	AA-
New York Life Global Funding	AA+
Suncorp	AA-

All of the above portfolio securities are Australian dollar denominated issues and include fixed interest and FRNs.

Market Outlook

Although inflation has fallen notably from its peak in 2022, driven by higher interest rates that have helped to bring aggregate demand and supply into better balance, the latest reading of underlying inflation has come in higher than anticipated. The Reserve Bank of Australia's (RBA) preferred measure—trimmed mean annual inflation—increased to 3.3 per cent year on year in October, up from 3 per cent in September. This places it above the RBA's 2–3 per cent target range.

Recent economic indicators—including modest GDP growth—point to the continued resilience of the Australian economy. In response, the Reserve Bank of Australia (RBA) initiated its easing cycle with a rate cut in February, followed by additional reductions in May and August. Despite this policy shift, interest rates remain at restrictive levels. Since the last cut, the Board has signalled its intention to await further evidence that inflation is on a sustainable path back to the 2.5% target. However, this confirmation has yet to materialise, and inflation risks have re-emerged. The RBA emphasised that monetary policy remains well-positioned to respond swiftly should global developments materially affect domestic activity or inflation. The Bank also reaffirmed its commitment to closely monitoring incoming data and evolving risks, including global and financial conditions, domestic demand dynamics, and the outlook for inflation and employment.

Looking ahead, with September and October inflation numbers coming in above the RBA's forecasts and considering the recent comments from the RBA Governor—as well as the messaging in the Statement on Monetary Policy—it's clear the RBA is prepared to remain patient. Their main priority continues to be bringing inflation under control. Based on current projections, inflation is still expected to return to the midpoint of the target band, with one rate cut potentially factored in for late 2026. Therefore, we believe the next policy move is still likely to be a cut, though not in the near term. The main risk to this outlook would be a significant deterioration in the labour market, which we view as unlikely, particularly since the RBA has noted that conditions remain somewhat tight. Should inflation remain sticky and the labour market remain tight we are likely to see rates remain on hold for an extended period with a possibility the RBA could consider lifting rates.

A Trump-led Republican government was initially viewed as positive for the US economy, thanks to pro-business policies that could drive growth. However, concerns have quickly arisen over the potential inflationary effects and their impact on economic growth, particularly due to Trump's "Liberation Day" tariffs, which have targeted key trading. This has escalated tensions, with global markets, including Australia, likely to feel the consequences.

China, Australia's largest trading partner, faces the dual challenge of managing domestic economic headwinds and ongoing trade tensions with the U.S. The government has maintained a 2025 growth target of around 5%, similar to 2024, and unveiled a broader fiscal stimulus. Authorities have also acknowledged persistent deflationary pressures, lowering inflation expectations to 2%, a two-decade low, amid subdued domestic demand. Key policy efforts include boosting consumption, easing local government debt, stabilising the property sector and Industrial policy 2.0, which encompasses modernisation of industry and focus on high tech "future industries". Encouragingly the Chinese economy grew by 5.3% in the 12 months to June.

Fund Objective

The Fund aims to outperform the Bloomberg AusBond Composite 0+YR Index over any three-year rolling period, before fees, expenses and taxes.

Key Facts

Responsible Entity
Yarra Funds Management Limited

APIR Code
TYN0104AU

Portfolio Manager
Darren Langer

Fund Size
A$451 mn as at 30 November 2025

Minimum Investment
A$10,000

Management Cost
0.30% p.a.

Buy/Sell Spread
+0.05% / -0.05%

Distribution Frequency
Quarterly

Benchmark
Bloomberg AusBond Composite 0+YR Index

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