

Yarra Higher Income Fund

Gross returns as at 31 January 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.75	1.23	7.44	8.82	6.92	5.77
RBA Cash Rate [#]	0.30	0.90	3.82	4.05	2.74	2.13
Excess return [‡]	0.45	0.33	3.62	4.77	4.18	3.64

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 January 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.70	1.06	6.74	8.12	6.23	5.09
Growth return [†]	0.29	-0.15	0.88	2.27	0.40	-0.10
Distribution return [†]	0.40	1.22	5.87	5.84	5.83	5.18
RBA Cash Rate [#]	0.30	0.90	3.82	4.05	2.74	2.13
Excess return [‡]	0.40	0.17	2.93	4.07	3.49	2.96

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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 0.70% (net basis) over the month, outperforming the RBA Cash Rate by 40 bps. On a 12-month view the Fund returned 6.74% (net basis), outperforming the RBA Cash Rate by 293 bps.

The Fund delivered solid performance for the month, driven by strong carry and a tightening in credit spreads, while duration detracted slightly. Our allocations to Warehousing and Syndicated Loans continued to provide the largest contribution to income received, reflecting their attractive yield profile and stable credit characteristics. Although the wider bond market sell-off extended into January, the February rate hike was largely priced in, ensuring the impact on our portfolio was much smaller than in previous months. As a result, our price return was positive. This positive price performance was driven by the continued contraction in spreads, with the strongest performers being longer dated subordinated debt.

During the month, we participated in the AusNet subordinated issue and the Aroundtown senior debt deal, both of which added to our healthy running yield and further diversified the portfolio's credit exposures. We remain active in managing portfolio positioning, selectively rotating across issuers and securities to attain the best risk-adjusted returns.

Market review

On the final business day of January, President Trump nominated Kevin Warsh as the next Chair of the Federal Reserve, with the appointment now pending Senate confirmation. The Federal Open Market Committee (FOMC) opted to keep the policy rate unchanged, noting inflation remains somewhat elevated and job gains continue to moderate. The US treasury curve steepened over the month, with 10-year yields rising 12.4 bps to close at 4.24%.

Elsewhere, the Bank of Canada held its policy rate unchanged at 2.25%, citing inflation is near its 2% target and expectations for modest economic growth. In the Asia-Pacific region, the

Bank of Japan also kept its cash rate unchanged following last year's historic rate hike. The New Zealand economy showed early signs of recovery, although inflation moved above the Reserve Bank of New Zealand's target range, reaching 3.1% in December 2025.

The Reserve Bank of Australia (RBA) met on 2-3 February and unanimously decided to raise the cash rate 25 bps to 3.85%. The 4Q25 CPI print surprised to the upside, with headline inflation rising 0.4% to 3.8%. In contrast, the quarterly trimmed mean, the RBA's preferred measure, printed in line with market expectations at 0.9%. Labour market conditions improved, with the unemployment rate declining to 4.1%. Bond markets continued to sell off through January as markets priced in the likelihood of a February rate hike. This drove a sharp move at the short end of the curve: 3-year bond futures rose 13 bps to 4.27%, while the 10-year increased 6.5 bps to close at 4.81%.

Credit spreads continued to grind in over the month supported by strong demand for Australian credit, particularly from Asia. Despite elevated primary issuance in January, orderbooks remained consistently oversubscribed, leading to significant spread compression during book builds. The Australian iTraxx closed 1.5 bps wider for the month, ending at 65.9 bps.

RMBS/ABS issuance slowed early in the year, though the supply pipeline remains strong with most mandates being announced toward the end of the month. Deals continued to attract strong investor interest. Notably, the WST 2026-1 RMBS deal was upsized significantly from an initial \$750mn to \$2bn. Senior tranche spreads remained largely in line and mezzanine tranches traded flat. Private credit also continues to offer compelling risk-adjusted returns.

Outlook

RBA Governor Bullock has continued to avoid providing explicit forward guidance, reiterating the heightened uncertainty surrounding the domestic and global economic outlook. Given this backdrop, we expect the RBA to move cautiously, placing significant emphasis on incoming data before further adjusting policy.

Credit spreads compressed through the first month of 2026 on the back of strong investor demand for Australian credit. With the RBA lifting rates, we expect outright yields to remain elevated and for Australian credit to remain attractive to both domestic and offshore investors. In this context, we expect spreads to continue to compress.

For the upcoming reporting season, we expect investment grade issuers to illustrate the benefits of the 2025 rate easing cycle, with balance sheets remaining resilient. Issuance is expected to remain solid in the near term, supported by ongoing funding requirements and constructive capital market conditions.

Portfolio profile

Portfolio characteristics

	Portfolio
Current yield (%)	6.08
Credit spread (bps)	209
Average weighted issue credit rating	BBB
Average weighted ESG rating*	BBB+
Yield to expected maturity (%)	6.01
Effective duration (yrs)	1.70
Spread duration (yrs)	3.29
Number of securities	188

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

Sector allocation

	Portfolio %
Asset Backed Securities	0.60
Banks	31.57
Communication Services	-
Consumer Discretionary	1.39
Consumer Staples	-
Diversified Financials	6.41
Energy	6.13
Health Care	0.08
Industrials	9.44
Information Technology	-
Insurance	5.54
Materials	0.47
Mortgage-Backed Securities	3.88
Private Debt	7.44
Real Estate	6.46
Syndicated Loan	8.43
Utilities	2.68
Cash & Other	9.49

Security allocation

	Portfolio %
Tier 1	5.48
Tier 2	29.76
Subordinated	16.97
Mortgage Backed	3.88
Asset Backed	0.60
Senior	17.95
Private Debt	7.44
Syndicated Loan	8.43
Cash & Other	9.49

Top 10 holdings

Issuer	ISIN	Portfolio%
Nextera Energy Capital	AU3CB0322691	2.17
National Australia Bank	AU3CB0328235	2.14
Insurance Australia Group	AU3FN0102158	1.99
UBS Group	CH1485827070	1.87
BNP Paribas	FR0014014MD4	1.67
ANZ Banking	AU3FN0091583	1.66
ATI Global	XXAU0ATIF012	1.56
Rabobank	AU3CB0293348	1.53
Weir Group	AU3CB0327369	1.49
Tabcorp Holdings	AU3CB0328789	1.39

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

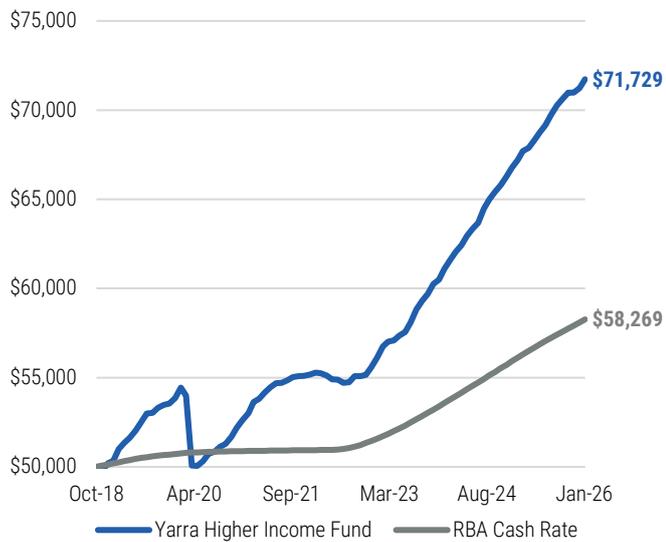
	Portfolio %
AA+	0.12
AA	3.03
AA-	10.82
A+	0.10
A	1.42
A-	12.43
BBB+	9.81
BBB	24.47
BBB-	14.03
BB+	4.71
BB	9.02
BB-	4.58
B+	1.58
B	3.74
B-	0.15
NR or Below	-

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\$325.0 mn as at 31 January 2026	
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 January 2026.



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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