Investment Commentary
Month to 28 February 2026

Yarra Income Plus Fund

Gross returns as at 28 February 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Income Plus Fund	0.48	0.76	5.11	6.30	4.95	4.61	6.12
Bloomberg AusBond Bank Bill Index	0.28	0.90	3.83	4.13	2.82	2.13	3.86
Excess return‡	0.20	-0.14	1.28	2.17	2.13	2.48	2.26

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 28 February 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Income Plus Fund	0.43	0.59	4.40	5.59	4.25	3.90	5.37
Growth return†	0.43	-0.85	-0.30	1.64	0.91	0.55	0.70
Distribution return†	0.00	1.44	4.71	3.94	3.34	3.35	4.67
Bloomberg AusBond Bank Bill Index	0.28	0.90	3.83	4.13	2.82	2.13	3.86
Excess return‡	0.15	-0.31	0.57	1.45	1.42	1.77	1.51

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* Inception date of Yarra Income Plus Fund: May 1998.
† The Growth Return is measured by the movement in the Fund's unit price, ex-distribution, and can be positive or negative as the unit price can fluctuate with changes in the underlying market value of the Fund's assets. The Distribution Return is the amount that is paid to unitholders by way of income distribution in a 12-month period. It does not include distribution amounts deemed as capital distributions.
‡ Excess Return: The excess return figures shown represent the difference between the Fund's return and the benchmark return.

Portfolio review

The Yarra Income Plus Fund returned 0.43% (net basis) over the month, outperforming its benchmark by 15 bps. On a 12-month view the Fund returned 4.40% (net basis), outperforming the Bloomberg AusBond Bank Bill Index by 57 bps.

Monthly performance was robust, primarily supported by returns from the Fixed Income sleeve. Heightened global uncertainty led investors to favour safe-haven assets, resulting in price appreciation within this allocation. The Cash sleeve also performed well, benefiting from the higher interest rate environment. The Diversified Credit and Hybrid allocations contributed to performance, supported by strong income generation. In contrast, the REIT and Infrastructure sleeve detracted from returns, as higher yields continued to add pressure on valuations across the sector.

There was a TAA change to the portfolio during the month. We re-allocated 2% of Cash to the REIT and Infrastructure sleeve as we see better opportunities presenting in this sleeve given markets have already priced in higher rates.

Market review

Heightened geopolitical tensions in the Middle East escalated at the end of the month following military strikes involving the US, Israel and Iran with retaliatory actions contributing to ongoing instability in the Gulf region.

Oil prices rose sharply in response, prompting increased concern among policymakers and markets regarding the potential inflationary impacts of a sustained conflict.

Separately, the US Supreme Court ruled against President Trump's emergency tariffs. In response to the ruling, the President threatened to impose global tariffs of 15%, however this is yet to take place. In the US, January labour market data was slightly stronger than anticipated. The unemployment rate fell by 10 bps to 4.3% supported by nonfarm payroll employment increasing by 130,000 jobs. At this stage, the data supports the Federal Reserve's decision to hold interest rates steady at its January meeting. US 10-year Treasury yields fell by 30 bps over the month to 3.94%, with markets still leaning toward a rate cut in June.

In other parts of the world, British lender Market Financial Solutions entered insolvency amid allegations of fraud, leaving several European banks exposed. The Bank of England left its cash rate unchanged at 3.75% highlighting ongoing concerns around returning inflation to target in the near term.

The Reserve Bank of New Zealand also kept its cash rate on hold at 2.25%, citing a number of factors including the expectation that headline inflation will fall to the midpoint of the target range, economic activity is recovering and the presence of significant spare capacity.

Japan recorded its lowest inflation print since 2022, with January inflation coming in at 1.5% (y/y), meeting the Bank of Japan's target.

The Reserve Bank of Australia (RBA) increased the cash rate by 25 bps to 3.85% in their meeting at the beginning of the month, expressing concern over recent data indicating persistent inflationary pressures. Headline CPI for the 12 months to January 2026 was unchanged from the previous month at 3.8%, 80 bps above target, while trimmed mean inflation rose by 10 bps to 3.4%. Housing continued to be the largest contributor to inflation, with the ongoing roll-off of government electricity rebates adding upward pressure.

On a seasonally adjusted basis, the unemployment rate for January remained unchanged at 4.1%, although total employment increased slightly. Following the RBA's decision to hike rates, bonds sold off slightly. However, as risk off sentiment emerged amid heightened geopolitical uncertainty, bonds subsequently rallied resulting in yields finishing the month lower across the curve. The curve flattened slightly, with the yield on 3-year bond futures declining by 6.5 bps to 4.22% and the yield on 10-year bond futures falling by 17 bps to 4.67%.

Credit spreads widened marginally during the month, driven by a significant supply in primary as well as concerns around private credit liquidity rather than any material deterioration in underlying credit quality. Bank issuance dominated the market, with Tier 2 and AT1 issuance in February reaching its highest level on record. Deal flow remained well oversubscribed, with strong participation from Asian investors continuing to support the market.

Most investment grade corporates performed well in 1H26 off the back of the easing cycle and a resilient Australian economy. Notable transactions during the month included Tier 2 issuance from CBA, ANZ, Westpac, Macquarie Bank, Credit Agricole and IMB, as well as an AT1 issuance from UBS. Senior issuance was also undertaken by ING Bank, Credit Agricole and Vicinity Centres. The Australian iTraxx index closed the month 2.7 bps wider at 68.6 bps.

The increase to the cash rate has made the cash sleeve more attractive. However, we continue to identify stronger opportunities to allocate capital to other sleeves currently offering superior risk-adjusted returns.

Asset allocation

	Target %*	Neutral position %§	Strategy
A-REITs, Infrastructure & Utilities	11.0%	15.0%	Underweight
Hybrid and FRNs	9.5%	15.0%	Underweight
Diversified Credit	13.0%	10.0%	Overweight
Fixed interest	33.5%	20.0%	Overweight
Cash	33.0%	40.0%	Underweight

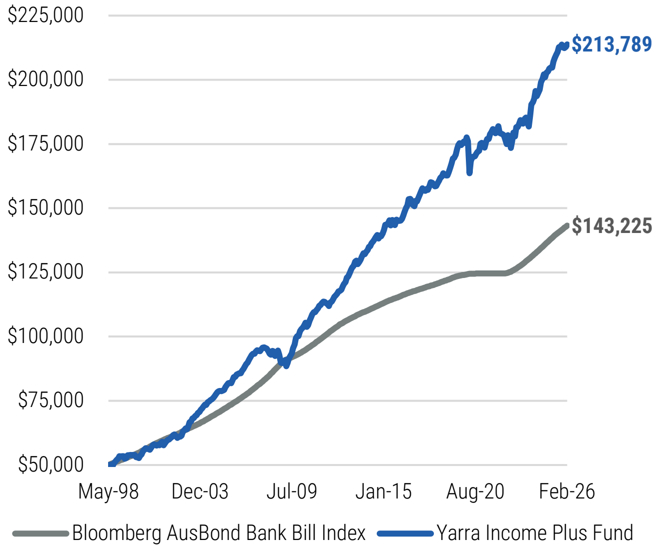
Source: Yarra Capital Management. Portfolio holdings may not be representative of current or future investments. The securities discussed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not be profitable.
§ Neutral position is calculated by Yarra Capital Management and is believed to be the optimal asset allocation for this portfolio over the long term.
* Projected estimation as at the date of this commentary.

Features

Investment objective	To provide regular income and to achieve medium term capital growth through exposure to cash, money market products, domestic fixed interest and a range of high yielding investments, including domestic hybrid investments, property, infrastructure and utilities securities and international fixed interest assets. In doing so, the aim is to outperform the Bloomberg AusBond Bank Bill Index over rolling 3-year periods.	
Benchmark	Bloomberg AusBond Bank Bill Index	
Fund inception	May 1998	
Fund size	A$56.6mn as at 28 February 2026	
APIR code	JBW0016AU	
Estimated management cost	0.68% p.a.	
Buy/sell spread	+/- 0.10%	
Distribution frequency	Quarterly	
Platform availability	Hub24 IOOF Wrap Macquarie Wrap Mason Stevens	MLC Navigator Netwealth Praemium Xplore Wealth

Investment performance comparison of $50,000

After fees, since inception of the Yarra Income Plus Fund, May 1998 to February 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 Bloomberg AusBond Bank Bill Index is for comparative purposes only.

Applications and contacts

Investment into the Yarra Income Plus Fund can be made by Australian resident investors only.

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