

Yarra Enhanced Income Fund

Gross returns as at 31 March 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception [^] % p.a.
Yarra Enhanced Income Fund	-0.95	0.23	5.14	7.54	5.84	6.28	6.23
Yarra Enhanced Income Fund (incl. franking)	-0.94	0.26	5.23	7.66	5.94	6.54	6.79
RBA Cash Rate [#]	0.33	0.92	3.77	4.08	2.87	2.00	3.32
Excess return [‡]	-1.27	-0.66	1.46	3.59	3.08	4.54	3.46

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. Returns inclusive of franking credits are calculated by attributing a cash value to each franking credit, and assuming that amount is re-invested, along with all other distributions. Figures including franking credits should not be relied upon as an exact indication of performance or be compared to returns of other managed funds which do not include amounts for franking credits. The level of franking of distributions may vary.

Net returns as at 31 March 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception [^] % p.a.
Yarra Enhanced Income Fund	-0.99	0.10	4.56	6.95	5.26	5.60	5.46
Yarra Enhanced Income Fund (incl. franking)	-0.99	0.12	4.66	7.07	5.36	5.85	6.01
Growth return [†]	-1.45	-1.13	-0.67	1.23	0.38	1.34	0.07
Distribution return [†]	0.46	1.25	5.33	5.84	4.99	4.51	5.94
RBA Cash Rate [#]	0.33	0.92	3.77	4.08	2.87	2.00	3.32
Excess return [‡]	-1.32	-0.80	0.89	3.00	2.50	3.85	2.69

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[^] Inception date Yarra Enhanced Income Fund: June 2003.

[†] Growth returns are measured by the movement in the Yarra Enhanced 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. Returns inclusive of franking credits are calculated by attributing a cash value to each franking credit, and assuming that amount is re-invested, along with all other distributions. Figures including franking credits should not be relied upon as an exact indication of performance or be compared to returns of other managed funds which do not include amounts for franking credits. The level of franking of distributions may vary.

[#] 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 including franking and the RBA Cash Rate.

Portfolio review

The Yarra Enhanced Income Fund returned 0.12% (net basis, including franking) over the quarter, underperforming its benchmark by 80 bps. On a 12-month view the Fund returned 4.66% (net basis, including franking), outperforming the RBA Cash Rate by 89 bps.

Positive performance for the March quarter came from carry, with the portfolio's healthy running yield continuing to generate meaningful cash income. Credit spreads were broadly stable over the first two months of the quarter. However, spreads widened materially in March as risk-off sentiment emerged amid escalating conflict in the Middle East, detracting from overall performance for the quarter.

Bond markets remained volatile early in the year as markets continued to price additional policy tightening, although the majority of the sell-off had already occurred in late 2025. As a result, the impact of the February rate hike was largely reflected in market pricing.

While there was a brief rotation into traditional safe-haven assets, this proved short-lived. In early March, geopolitical developments raised concerns that higher oil prices could translate into broader inflationary pressures, which contributed to the Reserve Bank of Australia (RBA)'s decision to further tighten monetary policy.

This led to a sell-off in rates as markets repriced the path of policy, resulting in a negative contribution from the portfolio's

duration exposure over the quarter. Consistent with our view that interest rates are at attractive levels, we have taken a long position in 90-day bank bill futures, locking in the elevated front-end yields.

During the quarter, we remained active across both primary and secondary markets, with a focus on navigating prevailing market conditions and identifying opportunities that offered attractive risk-adjusted returns.

Notable deals we participated in during the quarter included the Latitude capital notes 2, Aroundtown senior deal, AusNet subordinated transaction and Dalrymple Bay Finance senior issuance. We also took part in several of the bank deals which priced in February including Tier 2 transactions from ANZ, Commonwealth Bank, Macquarie Bank and Credit Agricole as well as the UBS AT1 issuance.

We continued to diversify our issuer exposure and reinforced our position in investment grade assets which offered attractive outright yields.

Market review

The key theme of the March quarter was the escalation of conflict in the Middle East, involving the United States, Israel and Iran, with hostilities extending to neighbouring Gulf nations.

Iran's blockade of the Strait of Hormuz, a critical transit route for nearly 20% of global oil supply, placed upward pressure on oil prices. With limited signs of near-term de-escalation, markets increasingly priced in the risk of energy-driven inflationary pressures.

The Federal Open Market Committee (FOMC) met in both January and March during the quarter and elected to keep the federal funds target rate unchanged at 3.50%. Labour market conditions continued to soften, with the unemployment rate recorded at 4.4% in February 2026, while inflation remained somewhat elevated, with the Personal Consumption Expenditures (PCE) price index reported at 2.8% (y/y) for January 2026.

Data releases remained subject to some delays following last year's US government shutdown. US Treasury yields were relatively stable over the first two months of the quarter. However, yields rose across the curve in March as expectations for near term rate cuts were tempered by concerns that the ongoing Middle East conflict could place upward pressure on inflation. As a result, the US Treasury yield curve flattened modestly, with the 10-year Treasury yield ending the quarter 20 bps higher at 4.32%.

In other parts of the world, British lender Market Financial Solutions entered insolvency amid allegations of fraud, leaving several European banks and other investors exposed.

Central banks were cautious in their monetary policy decisions with many keeping their cash rates on hold during the quarter. The Bank of England held its policy rate steady at 3.75% throughout the quarter, acknowledging moderating domestic inflation pressures prior to the escalation of geopolitical

tensions, while highlighting the risk that higher global energy and commodity prices could place renewed pressure on household costs. The European Central Bank left rates unchanged as it continued to assess inflation dynamics and broader economic conditions.

In Canada, the Bank of Canada maintained its policy rate at 2.25%, citing inflation is close to target and there are modest growth prospects, while remaining attentive to global risks.

In the Asia Pacific region, the Bank of Japan also kept policy unchanged following last year's historic tightening, as January inflation eased to 1.5% (y/y), in line with its target.

The Reserve Bank of New Zealand similarly held rates steady noting improving economic momentum, easing inflation expected to return to the midpoint of the target range and the presence of spare capacity in the economy.

Domestically, the RBA increased the cash rate by a cumulative 50 bps to 4.10% over the quarter, delivering two consecutive 25 bps rate hikes. The first increase was decided unanimously, while the second passed by a narrow 5-4 majority. The split decision reflected differing views on the timing of further tightening.

The RBA's actions were driven by ongoing capacity pressures stemming from excess demand in the economy, alongside concerns that escalating conflict in the Middle East could place additional upward pressure on global energy prices. While the RBA acknowledged that financial conditions have tightened since the beginning of the tightening cycle, it emphasised ongoing uncertainty regarding whether current policy settings are sufficiently restrictive to return inflation sustainably to target.

Inflation remained elevated during the quarter, with the Consumer Price Index (CPI) rising 3.7% (y/y) to February 2026, a slight easing from 3.8% in January. Housing continued to be the largest contributor to inflationary pressures. Labour market conditions softened modestly, with the unemployment rate at 4.2% in February 2026, 10 bps higher than January, signalling some loss of momentum.

Bond markets reflected the evolving inflation and policy outlook over the quarter. The yield curve flattened, as markets priced in higher short-term inflation. The yield on 3-year bond futures traded broadly flat over the first two months of the quarter before rising 47 bps to 4.68% by quarter end. Meanwhile, the yield on 10-year bond futures declined over the first two months of the quarter, however amid rising inflation concerns linked to geopolitical developments and energy supply disruptions 10-year yields increased to 5.01%, a 21 bps rise over the quarter.

During the quarter, Australian credit markets remained fundamentally strong, although conditions were increasingly influenced by risk-off sentiment as the conflict in the Middle East intensified. Credit spreads were generally stable across the first two months of the quarter, before widening in March as investors became increasingly cautious amid escalating geopolitical risks and the potential implications for corporate earnings.

Primary market issuance was strong at the start of the year, before moderating as the reporting season neared. February was characterised by heavy bank issuance, marking the largest monthly issuance of Tier 2 and Additional Tier 1 (AT1) securities on record, with AT1 issuance coming exclusively from foreign banks given the ongoing phase-out of domestic AT1.

Issuance activity slowed into early March, as issuers showed greater reluctance to price transactions amid elevated volatility. However, deal flow recovered toward the end of the month, and overall issuance remained robust across the quarter. Despite the more cautious market backdrop, new transactions continued to attract strong investor demand. Deals were generally well oversubscribed, reflecting sustained appetite for Australian credit, supported by continued participation from Asian investors.

Notable issuance during the quarter included the Latitude Group Holdings subordinated capital note, Aroundtown senior note, UBS AT1 transaction, as well as Tier 2 issuance from major domestic banks including Commonwealth Bank, ANZ, Westpac and Macquarie Bank.

The Australian iTraxx Index traded broadly flat over the first two months of the quarter. However, as risk-off sentiment intensified in March, spreads widened and the index closed the quarter 27.3 bps wider at 91.7 bps, reflecting heightened macroeconomic uncertainty and a more cautious investor stance.

Outlook

Markets continue to price the possibility of additional rate hikes, reflecting concerns that inflationary pressures stemming from the conflict in the Middle East, particularly through higher oil prices, could persist.

However, expectations regarding the extent of further tightening have moderated amid ongoing geopolitical uncertainty and the RBA's acknowledgement that financial conditions have already tightened, though with uncertainty around the degree of restrictiveness.

We expect market volatility to persist as geopolitical developments continue to evolve in the Middle East. Consumer confidence has deteriorated sharply, reaching historically low levels comparable to those observed during the COVID period, which may weigh on household spending and broader economic momentum.

Against this backdrop, we expect the RBA to remain cautious, assessing evolving geopolitical developments alongside domestic economic conditions when guiding future policy decisions.

Global growth is forecast to slow which could place pressure on credit metrics, however many Australian corporates have indicated that they are well positioned to manage the current period of uncertainty. Higher outright yields are expected to persist in the near term, which should continue to support demand for Australian credit.

While issuance activity has moderated amid heightened geopolitical tensions, ongoing corporate funding requirements are likely to underpin issuance levels even if the conflict persists. That said, the extent to which issuance is sustained remains uncertain. More broadly, capital market conditions remain supportive and could help facilitate a rebound in issuance activity should market conditions stabilise.

Portfolio profile

Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	6.14
Option Adjusted Spread	180
Average weighted issue credit rating	BBB
Average weighted ESG Rating*	BBB+
Estimated yield to maturity (%)	6.34
Fund duration (yrs)	1.88
Spread duration (yrs)	3.45
Number of securities	223
Listed	39
Unlisted	184

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

Sector allocation

	Portfolio %
Asset Backed	-
Banks	48.24
Communication Services	-
Consumer Discretionary	1.40
Consumer Staples	-
Diversified Finance	8.42
Energy	5.93
Health Care	0.71
Industrials	9.36
Information Technology	0.12
Insurance	9.18
Materials	0.33
Mortgage Backed	-
Real Estate	7.79
Utilities	3.21
Cash & Other	5.32

Top 10 holdings

Issuer	ISIN	Portfolio %
ANZ Banking	AU3FN0091583	1.66
Credit Agricole	AU3CB0331320	1.53
UBS Group	CH1485827070	1.41
Tabcorp Holdings	AU3CB0328789	1.40
BNP Paribas	AU3FN0094280	1.34
Ampol Limited	AU3FN0094520	1.28
National Australia Bank	AU3CB0328235	1.27
UBS Group	CH1522231294	1.27
Challenger Life	AU3CB0292324	1.24
Aurizon Finance	AU3FN0098372	1.19

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.

Maturity profile

	Portfolio %
Perpetual/Callable	12.53
Callable	68.75
At Maturity	13.40

Security profile

	Portfolio %
Floating rate	47.71
Fixed rate	46.97
Cash & Other	5.32

Credit rating profile

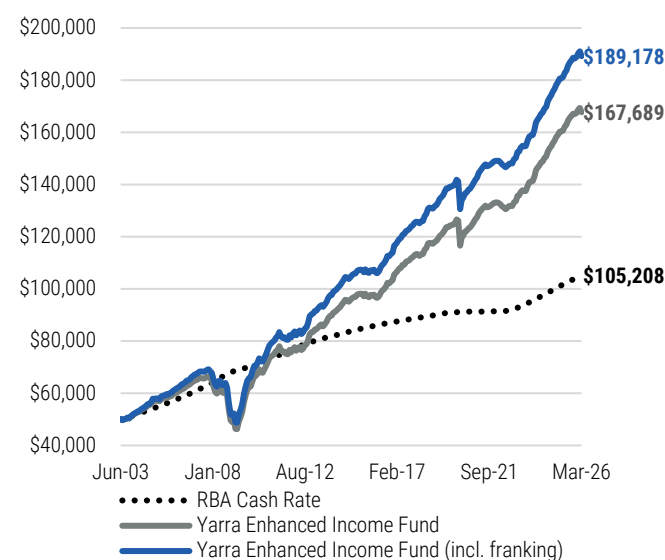
	Portfolio %
AA-	0.17
A+	0.15
A	0.27
A-	17.47
BBB+	16.44
BBB	32.84
BBB-	18.42
BB+	2.19
BB	4.28
BB-	1.66
B+	0.73
B	0.07
B-	-
Not rated or below	-
Cash & Other	5.32

Features

Investment objective	To earn higher returns than traditional cash management and fixed income investments (over the medium-to-long term) by investing in a diversified portfolio of fixed income and hybrid (debt/equity) securities.	
Recommended investment time frame	3 – 5+ years	
Fund inception	June 2003	
Fund size	Pooled Fund A\$3,183.2mn as at 31 March 2026	
APIR code	JBW0018AU	
Estimated management cost	0.55% p.a.	
Buy/sell spread	+/- 0.10%	
Platform availability	AMP North Asgard BT Panorama CFS First Choice Hub24 IOOF Wrap Macquarie Wrap Mason Stevens	MLC Wrap MLC Navigator Netwealth Praemium Powerwrap uXchange (DASH) Xplore Wealth

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Enhanced Income Fund, June 2003 to March 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 Enhanced Income Fund is \$10,000.

Applications and contacts

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

Website www.yarracm.com

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Disclaimers

The Yarra Enhanced Income Fund is substantially invested in the Yarra Enhanced Income Pooled Fund ("Pooled Fund"). References in this document to the underlying assets or investments of the Fund generally relate to the assets held in the Pooled Fund.

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