

Yarra Income Plus 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 Income Plus Fund	-1.23	-0.47	3.75	5.65	4.45	4.38	6.06
Bloomberg AusBond Bank Bill Index	0.32	0.91	3.80	4.14	2.89	2.14	3.86
Excess return [‡]	-1.55	-1.38	-0.05	1.51	1.56	2.24	2.19

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 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 Income Plus Fund	-1.29	-0.64	3.05	4.94	3.74	3.68	5.31
Growth return [†]	-1.58	-0.93	-0.67	1.12	0.47	0.42	0.64
Distribution return [†]	0.29	0.29	3.73	3.82	3.27	3.26	4.67
Bloomberg AusBond Bank Bill Index	0.32	0.91	3.80	4.14	2.89	2.14	3.86
Excess return [‡]	-1.60	-1.55	-0.75	0.79	0.86	1.53	1.44

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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 -0.64% (net basis) over the quarter, underperforming its benchmark by 155 bps. On a 12-month view the Fund returned 3.05% (net basis), underperforming the Bloomberg AusBond Bank Bill Index by 75 bps.

Portfolio performance for the March quarter was softer, reflecting a broad-based sell-off in bond markets following consecutive rate hikes, alongside heightened market volatility driven by escalating conflict in the Middle East.

Rising yields weighed on the REIT and Infrastructure sleeve, detracting from overall performance. The Fixed Income sleeve also detracted, with government bonds experiencing more pronounced price moves. This performance was partially offset by positive contributions from the Hybrid and Diversified Credit sleeves, which continued to benefit from strong income generation. The Cash sleeve also contributed meaningfully to performance, as the two rate increases over the period lifted returns.

There were two TAA changes to the portfolio during the quarter.

The first occurred in February where we re-allocated 2% of Cash to the REIT and Infrastructure sleeve as we saw more attractive opportunities presenting in this sleeve given markets had already priced in higher rates.

The second adjustment was made in March, following consecutive rate increases and the escalation of conflict in the Middle East. At this time, a further 4% of Cash was re-allocated to the REIT and Infrastructure sleeve, as ongoing pressure on property valuations created an attractive entry point to return the allocation to a neutral weighting. In addition, 1.5% of Cash was re-allocated to the Fixed Income sleeve, with longer duration assets appearing increasingly attractive amid evolving financial conditions.

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 2 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.

Sector review

Listed Property, Infrastructure and Utilities

The S&P/ASX 200 A-REIT Index declined during the quarter, posting -16.63% for the period while the broader S&P/ASX 200 returned -1.61%. The S&P/ASX 300 Custom Infrastructure and Utilities index returned +3.46%.

Hybrids

Hybrid performance was weaker during the quarter, affected by the broad sell-off in bonds and a material widening in credit spreads in March. The widening in spreads was driven by concerns around higher energy prices and the potential implications for corporate earnings. Carry continued to be the primary driver of returns within the sleeve.

Diversified Credit

Diversified credit performance was softer during the quarter, reflecting the broader sell off in bond markets and widening in credit spreads. However, the allocation to warehousing assets continued to support income generation, which helped offset market volatility and provided a degree of protection.

Fixed Income

Bond markets sold off during the quarter, with markets repricing the path of monetary policy. Unlike typical risk-off environments, demand for safe-haven assets was muted, with bonds continuing to weaken amid heightened inflation concerns. However, evolving domestic economic conditions ensure we continue to see opportunities within the sleeve.

Cash

With the cash rate sitting at 4.10% after two consecutive interest rate hikes, the yield on the Cash sleeve has become more attractive. However, we remain underweight, as we see more compelling opportunities to deploy capital across other sleeves given the evolving global and domestic landscape.

Asset allocation

	Target %*	Neutral position %§	Strategy
A-REITs, Infrastructure & Utilities	15.0%	15.0%	Neutral
Hybrid and FRNs	9.5%	15.0%	Underweight
Diversified Credit†	13.0%	10.0%	Overweight
Fixed interest	35.0%	20.0%	Overweight
Cash	27.5%	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.

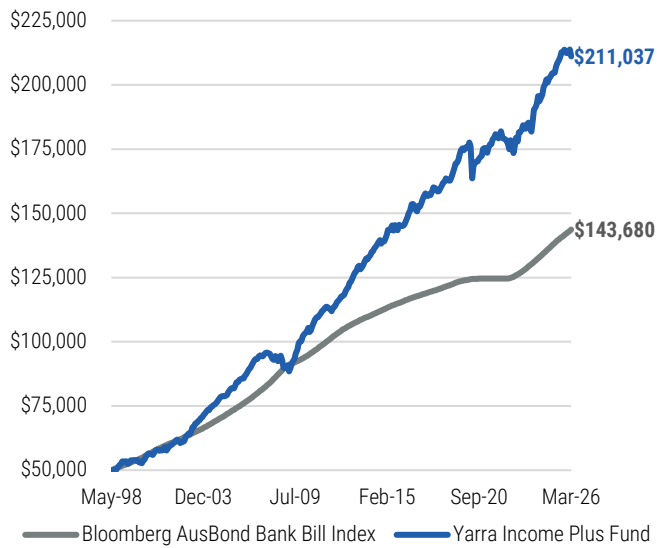
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$55.2mn as at 31 March 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 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 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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