

Yarra Australian Bond Fund

Net returns as at 30 April 2026

	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	0.17	-0.54	0.36	2.63	0.45	2.06	4.65
Growth return [#]	0.17	-1.29	-3.14	-0.19	-1.31	-1.09	-0.18
Distribution return [#]	0.00	0.75	3.50	2.81	1.76	3.15	4.83
Bloomberg AusBond Composite 0+YR Index	0.05	-0.50	-0.14	2.01	0.05	1.77	4.54
Excess return [#]	0.12	-0.04	0.49	0.62	0.40	0.29	0.12

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 0.17% to outperform the benchmark by 12 basis points (bps).

The Fund started the month with an overweight duration position of 0.58 years and ended the month with an overweight duration position of 0.50 years. The overweight duration was reduced slightly over the month, but as bond yields rose slightly, this was a small detractor from performance. The fund remains positioned to benefit from a steeper yield curve between 3-year and 10-year maturities and a flattening yield curve from 10-year to 15-year maturities. The flattening of the 3-10 year bond curve was a detractor to performance, however the flattening of 10-year to 15-year maturities saw the portfolio's overall curve position contributed positively to outperformance.

In April, markets' fear of the war in Iran appeared to calm slightly and some losses across bond and equity markets were reversed. Ceasefire talks began however the situation is still developing and access through the Strait of Hormuz is limited, as it is controlled by Iran. We will be closely monitoring the developments of the situation and the flow on inflationary impacts this may have on both the global and the domestic economy. Australian 3-year bond yields rose from 4.65% to 4.76%, and 10-year bond yields rose from 4.97% to 5.06%. The 3-10 year bond curve flattened from 32 basis points to 30 basis points.

The portfolio is overweight spread products, primarily in semi-government, supranational agencies. The portfolio is also overweight investment grade credit, including senior financials, residential mortgage-backed securities, and high-grade corporates with maturities out to 5 years. Our overweight spread position was a contributor to performance this month as credit and semi-government spreads retraced some of the large spread widening in March. Semi-government spreads

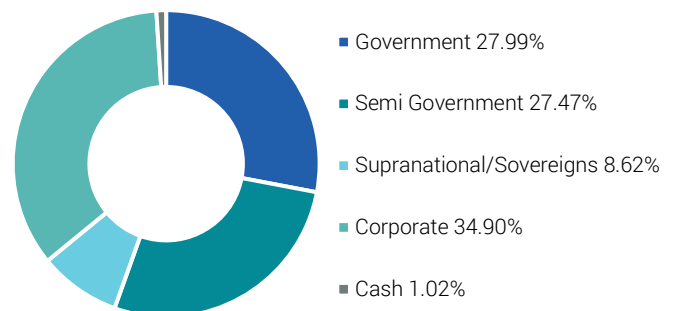
recovered most of their spread widening, especially the 10-15 year part of the curve which was a contributor to performance.

Fund Overview

Characteristics	Fund	Benchmark	Difference
Modified Duration (yrs)	5.28	4.77	0.50
Corporate Spread Duration (yrs)	0.79	0.34	0.45
Total Spread Duration (yrs)	3.57	2.42	1.15
Yield to Maturity (%)	5.13	5.12	0.01
Average Coupon (%)	3.87	3.12	0.75
Weighted-average Credit Rating [#]	A+	AA	-

[#]Standard & Poor's

Portfolio Asset Allocation



Risk Characteristics

3 Year Volatility (p.a.)	4.47%
3 Year Tracking Error (p.a.)	0.49%

Market Commentary

The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, returned 0.05% in April. Bond markets stabilised a little in April following the sharp selloff in March as expectations around monetary policy evolved and the conflict in the Middle East appeared to de-escalate. The 3-year government bond yield rose by 11 basis points (bps) to 4.76%, while the 10-year government bond yield increased by 9 bps to 5.06%. As a result, the bond yield curve showed limited further flattening over the period, with longer-dated yields remaining more sensitive to inflation and energy-price dynamics. Meanwhile, short-term bank bill rates were subdued with the 3-month rate rising by 6 bps to 4.37% and the 6-month rate falling marginally by 1 bps to 4.77%. The Australian dollar ended the month at USD 0.72.

The Reserve Bank of Australia (RBA) did not meet in April, having raised the cash rate by 25 basis points to 4.10% at its March meeting. In speeches and published material over the month, policymakers reiterated that inflation remains above target and that the Board is prepared to maintain a restrictive policy stance for an extended period if required. The RBA continued to highlight the risks posed by higher fuel and energy prices stemming from Middle East tensions, alongside domestic capacity constraints and a still-tight labour market. Markets increasingly shifted towards pricing an additional rate increase at the May meeting, reflecting concerns that inflationary pressures could become more persistent than previously anticipated.

Inflation data released during April reinforced these concerns. Australia's annual CPI rose to 4.6% in March, up from 3.7% in February, marking the highest reading since late 2023 and remaining well above the RBA's 2–3% target band. The increase was driven primarily by a sharp rise in fuel prices, reflecting higher global oil prices, while housing and transport costs also continued to contribute meaningfully. In contrast, underlying inflation measures were more stable, with the trimmed mean CPI holding at 3.3% year-on-year, suggesting that while headline inflation has surged, broader price pressures have not yet accelerated materially.

Domestic economic data over the month painted a mixed picture. The labour market remained resilient, with the unemployment rate holding at 4.3% in March, indicating ongoing strength despite tighter financial conditions. Cotality's Home Value Index rose slightly by 0.2% in April as house prices moderated. Higher borrowing costs and expectations of additional rate hikes weighed on housing activity and buyer sentiment, contributing to more uneven conditions across regions.

Business and consumer confidence deteriorated sharply in April. The NAB Monthly Business Survey showed business

confidence falling deeply into negative territory in March, while business conditions remained close to their long-run average, suggesting firms were becoming more cautious despite stable underlying activity. Forward orders weakened and cost pressures increased, signalling renewed inflation risks at the corporate level. Consumer sentiment fell sharply, with the Westpac–Melbourne Institute Consumer Sentiment Index declining 12.5% in April to 80.1, its largest monthly fall since the onset of the pandemic. Rising fuel prices and higher interest rates were key drivers, with households increasingly concerned about their financial outlook and the economic environment more broadly.

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
South Australian Govt Financial Authority	AA+
Export Finance & Insurance Corp	AAA
Western Australia Treasury Corporation	AAA
Metropolitan Life Global Funding I	AA-
New York Life Global Funding	AA+

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

Market Outlook

On 8 April, the United States and Iran agreed to a two week ceasefire, which was subsequently extended indefinitely by President Trump. Despite the agreement, Iran continued its blockade of the Strait of Hormuz, prompting a retaliatory response from the United States that restricted Iranian shipping through the passage. With tensions in the Middle East remaining elevated, financial markets continued to adjust as participants sought to assess the implications for global energy markets. Market attention focused on the potential duration and severity of the disruption, particularly its impact on energy supply over both the short and longer term. Global oil prices continued to rise, with Brent crude reaching its highest level since 2022. This contributed to an increase in short term inflation expectations and a rise in financial market volatility. The conflict is widely viewed as a material adverse supply shock to the global economy. However, the magnitude and persistence of the shock remain uncertain. As a result, market pricing remained volatile, reflecting ongoing revisions by participants as new information emerged and assessments of the potential economic implications evolved.

Headline inflation for March printed at 4.6% (y/y), while trimmed mean inflation, the RBA's preferred underlying measure, came in at 3.3% (y/y). Trimmed mean inflation was

unchanged from February and remains above the Bank's 2–3% target range. The RBA met in May where they voted to raise the cash rate by a further 25 bps in an 8–1 majority. This marked the third consecutive rate increase and returned the cash rate to the level prior to the first cut in early 2025. At 4.35%, the cash rate is back at its highest level in over a decade.

The RBA's decision was driven in part by higher fuel prices, which the Bank noted could lead to second round effects on broader goods and services inflation. While the RBA acknowledged that financial conditions have tightened, it cited concerns that inflation is likely to remain above target for some time, with risks skewed to the upside. The Board reiterated that its priority is to deliver price stability alongside full employment and stated that it will do what is necessary to achieve these objectives.

The RBA faces a delicate balancing act in the months ahead. While the Bank is expected to remain highly focused on inflation control, Governor Michele Bullock noted that recent increases are considered sufficient to address the inflationary pressures that were present prior to the conflict. Interest rate hikes, however, have no direct impact on oil prices. Following three consecutive rate increases, we believe the RBA is now better positioned to pause and assess how tighter financial conditions flow through to economic activity before considering further policy adjustments. While the Bank continues to refrain from providing explicit forward guidance on the policy path, we expect the lack of signalling to continue contributing to heightened market volatility in the near term.

Against the backdrop of tightening financial conditions and a prolonged oil supply disruption, affecting a broad range of energy products including refined fuels such as jet fuel and diesel, we see emerging downside risks to economic growth. Three consecutive rate increases, combined with an uncertain global environment and subdued consumer and business confidence, increase the risk that tighter policy weighs on growth and employment. We see the unemployment rate as a key measure to watch, with the potential for a rapid rise in unemployment given the economic outlook, and especially if conflict in the Middle East persists.

Other major central banks, including the Federal Reserve, Bank of England, European Central Bank and Bank of Canada, held policy rates unchanged at their most recent meetings in April. In doing so, policymakers highlighted the impact of the conflict in the Middle East on global energy prices and noted that they continue to closely monitor evolving conditions as they assess the appropriate path for monetary policy. In this environment, we expect further appreciation of the Australian dollar which would place additional pressure on Australia's trade balance adding to the downside risks for growth.

Markets also appear increasingly desensitised to geopolitical developments, contributing to unconventional trading behaviour amid an uncertain global backdrop, particularly given the ongoing conflict in the Middle East. Flows into traditional safe haven assets have been relatively muted in recent months, with risk appetite remaining resilient. Equity

markets have rebounded following earlier sell offs, with the ASX 200 Index recovering and the S&P 500 Index reaching new all-time highs. In contrast, bond markets have weakened in this environment, although absolute yield levels have become more compelling. Against this backdrop, we see now as an opportune time to increase our duration exposure locking in the elevated yields.

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\$461 mn as at 30 April 2026

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

Applications and contacts

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

Website www.yarracm.com

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