

Yarra Higher Income Fund

Gross returns as at 30 April 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.71	0.53	6.11	8.56	6.54	5.65
RBA Cash Rate [#]	0.33	0.95	3.77	4.09	2.93	2.19
Excess return [‡]	0.38	-0.42	2.33	4.47	3.60	3.47

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 30 April 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception [^] % p.a.
Yarra Higher Income Fund*	0.65	0.37	5.42	7.86	5.85	4.97
Growth return [†]	0.24	-0.84	0.03	1.95	0.00	-0.21
Distribution return [†]	0.41	1.21	5.39	5.91	5.84	5.18
RBA Cash Rate [#]	0.33	0.95	3.77	4.09	2.93	2.19
Excess return [‡]	0.32	-0.58	1.65	3.77	2.92	2.78

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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 0.65% (net basis) over the month, outperforming the RBA Cash Rate by 32 bps. On a 12-month view the Fund returned 5.42% (net basis), outperforming the RBA Cash Rate by 165 bps.

Solid performance in April was driven by income returns and credit spread compression. Credit spread compression was driven by improved risk sentiment. However, the Fund's duration exposure detracted marginally from performance following a broad sell off in bond markets, triggered by an elevated headline inflation print released late in the month. Bank Tier 2 securities and Syndicated Loans were the strongest performing segments. Our allocations to Warehousing and Syndicated Loans continued to provide the most meaningful contribution to cash income received.

During the month, the Fund participated in several new issues, including the APA Infrastructure subordinated notes, Investa Commercial Property Fund senior bond and Suncorp AT1.

The Fund purchased CDS protection through the Australian iTraxx index, taking advantage of a period of tempered risk. We also rolled our Australian Treasury Bill Futures, locking in the elevated outright yield.

Market review

On 8 April, the United States and Iran agreed to a two-week ceasefire, which was subsequently extended indefinitely by President Trump. Despite this, Iran continued its blockade of the Strait of Hormuz, prompting a retaliatory response from the United States that restricted Iranian shipping through the passage. As a result, oil prices rose to their highest level since 2022, placing additional pressure on global energy markets and raising concerns among policymakers and investors. The situation in the Middle East is still developing and capital markets across the globe remain incredibly volatile. While the situation appears to have improved slightly, markets remain alert to further developments.

In the United States, the Federal Open Market Committee

(FOMC) met on 28-29 April and elected to keep the federal funds target rate unchanged, noting that it will continue to monitor incoming information when assessing the economic outlook. While economic activity has been expanding at a solid pace, job gains have slowed and unemployment has changed little in recent months. The unemployment rate came in at 4.3% for March, declining by 10 bps from the previous month. Inflation rose, largely reflecting higher global energy prices. The Personal Consumption Expenditures (PCE) Price Index rose by 3.5% over the 12 months to March 2026, up from 2.8% in February. The FOMC reiterated its willingness to adjust the policy stance as economic conditions evolve.

Over the month, yields on 10-year US Treasuries increased by 6 bps to 4.37% reflecting the growing concern that inflationary pressures from higher oil prices may persist. Elsewhere, the Bank of England, the European Central Bank and the Bank of Canada all maintained their policy rates during the month. Each central bank highlighted the impact the conflict in the Middle East has had on global energy prices and have indicated that they continue to closely monitor conditions as they assess the appropriate path for monetary policy.

There was no Reserve Bank of Australia (RBA) meeting during April, with the cash rate remaining unchanged at 4.10%. Consumer Price Index (CPI) data for the 12 months to March 2026 recorded inflation of 4.6%, while prices rose 1.1% over the month. Of the 112 bps monthly increase, automotive fuel accounted for 108 bps, highlighting the significant contribution from higher oil prices. The unemployment rate for March remained steady at 4.3%, unchanged from February.

Australian 3-year government bond yields traded broadly flat through most of the month before selling off following the CPI release. Similarly, 10-year Australian government bond yields were largely stable but moved marginally higher after the inflation data. Overall, there was a modest flattening of the yield curve during the month. The yield on 3-year Australian bond futures rose by 10 bps to 4.78%, while the yield on 10-year Australian bond futures increased by 8.5 bps to 5.09%.

Australian credit markets experienced broad spread tightening during the month. This move reflected a re-assessment of risk sentiment following the announcement of the ceasefire between the United States and Iran, which helped temper earlier risk off conditions. As is typical over the Easter period, primary issuance was subdued. However, activity picked up in the weeks following the ceasefire as the improved risk tone prompted the release of a long-awaited pipeline of primary market supply. Corporates sought to address funding requirements ahead of the new financial year, leading to a noticeable increase in issuance.

Transactions remained well oversubscribed, with strong participation from Asian investors. Senior bank issuance dominated market activity, with deals from Macquarie Bank, Bank of China, UBS, AMP Bank, Bendigo and Adelaide Bank, and Beyond Bank pricing during the month. Notable corporate transactions included the long-anticipated NextDC subordinated issue, the APA Infrastructure subordinated issuance, as well as senior bonds from Stockland, Downer EDI, Mirvac Office Fund and Investa Commercial Property Fund,

alongside a Suncorp AT1 capital note.

Despite the elevated level of issuance, investor appetite for corporate credit remained resilient, supported by improved market sentiment and ongoing demand for yield. The Australian iTraxx index closed the month 14 bps tighter at 77 bps, with the largest single-day move occurring on 8 April following the announcement of the US and Iran ceasefire.

RMBS/ABS issuance was more subdued during April, reflecting the prevailing geopolitical backdrop, although the pipeline continues to build. At month end, two RMBS transactions had been mandated: AMP Progress 2026 1 and La Trobe Financial 2026 2. Warehousing continues to offer attractive risk-adjusted returns.

Outlook

Headline inflation remains elevated, with the conflict in the Middle East contributing to higher oil prices. Ongoing supply disruptions have affected a broad range of energy products, including refined fuels such as jet fuel and diesel, contributing to emerging downside risks to economic growth. In response, markets have moderated expectations for further rate increases, reflecting this risk and the apparent tightening in financial conditions.

If elevated oil prices persist into the medium term, we would expect to observe some heightened pressure on issuers, especially corporates who are directly impacted by the higher fuel costs, given the already tighter financial conditions. We expect higher outright yields to persist into the medium term, which will continue to support demand for Australian credit. Issuance activity rebounded strongly in April and should persist given ongoing corporate funding requirements before financial year end. The longevity of the conflict will determine the extent to which issuance is sustained.

Portfolio profile

Portfolio characteristics

	Portfolio
Current yield (%)	6.91
Credit spread (bps)	260
Average weighted issue credit rating	BBB-
Average weighted ESG rating*	BBB+
Yield to expected maturity (%)	7.24
Effective duration (yrs)	1.80
Spread duration (yrs)	2.48
Number of securities	184

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

Sector allocation

	Portfolio %
Asset Backed Securities	0.46
Banks	25.47
Communication Services	-
Consumer Discretionary	1.18
Consumer Staples	-
Diversified Financials	5.94
Energy	5.17
Health Care	0.07
Industrials	8.75
Information Technology	-
Insurance	5.91
Materials	0.38
Mortgage-Backed Securities	2.97
Private Debt	8.74
Real Estate	8.23
Syndicated Loan	16.11
Utilities	3.84
Cash & Other	6.77

Security allocation

	Portfolio %
Tier 1	6.89
Tier 2	24.59
Subordinated	17.60
Mortgage Backed	2.97
Asset Backed	0.46
Senior	15.88
Private Debt	8.74
Syndicated Loan	16.11
Cash & Other	6.77

Top 10 holdings

Issuer	ISIN	Portfolio%
ATI Global	XXAU0ATIF012	2.68
TEEG	XXAU0TEEG027	2.40
Nextera Energy Capital	AU3CB0322691	1.85
National Australia Bank	AU3CB0328235	1.82
Project Pineapple	XXAU0PJPIN10	1.72
Insurance Australia Group	AU3FN0102158	1.69
Lendlease Finance	AU3CB0327351	1.55
UBS Group	CH1485827070	1.53
Challenger	AU3CB0292324	1.48
Aardvark Bidco Proprietary	XXAU0ADVAK16	1.47

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

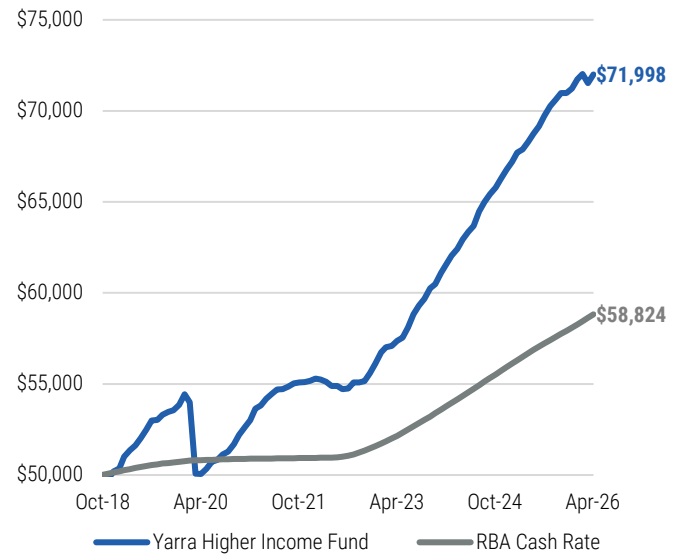
	Portfolio %
AA	2.73
AA-	6.77
A+	-
A	1.22
A-	9.49
BBB+	10.67
BBB	20.47
BBB-	17.24
BB+	4.61
BB	9.59
BB-	6.43
B+	4.50
B	6.15
B-	0.13
NR or Below	-

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\$380.0mn as at 30 April 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 April 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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