

Yarra Enhanced Income Fund

Gross returns as at 31 May 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	0.76	0.42	5.31	7.88	5.85	6.19	6.25
Yarra Enhanced Income Fund (incl. franking)	0.77	0.45	5.41	8.01	5.96	6.44	6.80
RBA Cash Rate [#]	0.36	1.02	3.80	4.10	3.00	2.04	3.33
Excess return [‡]	0.41	-0.57	1.61	3.91	2.96	4.40	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. 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 May 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	0.71	0.28	4.73	7.29	5.27	5.50	5.48
Yarra Enhanced Income Fund (incl. franking)	0.72	0.31	4.83	7.42	5.38	5.76	6.03
Growth return [†]	0.16	-1.18	-0.37	1.51	0.30	1.15	0.08
Distribution return [†]	0.56	1.49	5.20	5.91	5.08	4.61	5.94
RBA Cash Rate [#]	0.36	1.02	3.80	4.10	3.00	2.04	3.33
Excess return [‡]	0.36	-0.71	1.03	3.32	2.38	3.72	2.70

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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 0.72% (net basis, including franking) over the month, outperforming its benchmark by 36 bps. On a 12-month view the Fund returned 4.83% (net basis, including franking), outperforming the RBA Cash Rate by 103 bps.

The Fund delivered strong performance over the month, supported by strong income returns and a broad-based rally in bonds. Following the interest rate hike, which had largely been priced in by markets, bonds rallied over the period amid weaker labour market data and tighter financial conditions. With our duration running a little higher than in previous months, the rally contributed meaningfully to performance.

Although, credit spreads widened marginally during the period, this reflected a modest repricing of risk.

During the month, the Fund participated in several new issues, including the Barclays AT1, QBE AT1, Liberty Financial Senior and NAB Tier 2 deals.

Market review

During the month, US President Trump met with Chinese President Xi Jinping in Beijing, with discussions spanning trade, developments in the Middle East and Taiwan. Both parties characterised the talks as constructive and a positive step in ongoing engagement.

In the Middle East, hostilities resumed, as the United States and Iran continued negotiations towards a potential peace agreement. A resolution is yet to be reached. Global markets have become increasingly desensitised to swings in oil prices and the continuous news stream from the Gulf region.

In the United States, Kevin Warsh was sworn in as Chair of the Federal Reserve (Fed) on 22 May, replacing Jerome Powell who, unlike previous chairs, remains on the Fed board for now. Inflationary pressures remain evident, with the Personal Consumption Expenditures (PCE) Price Index rising 3.8% over the 12 months to April 2026, up 0.4% from the previous month. This was driven by higher consumer spending on gasoline and other energy-related products, alongside increases in housing and utility costs. Economic growth moderated, with real GDP rising 1.6% in the first quarter of 2026, revised down from initial estimates. Labour market conditions remain relatively stable, with unemployment unchanged at 4.3% in April 2026. Treasury yields moved higher over the month, with the 10-year yield increasing by 8 bps to 4.45%, as markets priced in the expectation of higher inflation if the conflict in the Middle East persists.

Elsewhere, the Reserve Bank of New Zealand (RBNZ) left its official cash rate (OCR) unchanged (at 2.25%) at its May meeting, noting the uncertain global economic backdrop. The RBNZ indicated that the OCR may need to rise sooner and by more than previously anticipated at its February meeting. New Zealand's inflation remained elevated, with CPI rising 3.1% (y/y) to March 2026, above the RBNZ's target range.

The Australian Federal Budget was announced on May 12. The budget focused on cost-of-living relief and fiscal repair headlined by major property and tax reform and changes to the National Disability Insurance Scheme (NDIS). Key measures include changes to the capital gains tax, removal of negative gearing on investment property for existing dwellings and the introduction of a 30% tax rate on discretionary trust distributions. The legislation remains subject to parliamentary approval, which typically occurs by the end of June.

The Reserve Bank of Australia (RBA) met on May 4-5 and decided – in an 8 to 1 majority – to increase the cash rate by 25 bps to 4.35%. This marked the third consecutive meeting in which the RBA raised rates. While acknowledging softer consumer confidence and some concerns around the growth outlook, the decision was primarily driven by the RBA's concern over capacity constraints in the economy along with elevated energy prices potentially leading to higher future inflation expectations.

The RBA believes monetary policy is restrictive, however to which extent remains uncertain. Inflation moderated slightly over the month, with the Consumer Price Index (CPI) rising 4.2% over the 12 months to April 2026, 0.4% lower than the 12 months to March. Transport and housing remained the largest contributors to inflation.

The labour market began to show the first signs of deterioration, with the unemployment rate rising to 4.5% in April after having held steady at 4.3% for the past couple of months. This is 18 months earlier than the RBA's forecast.

Following the three consecutive cash rate increases, yields on Australian government bond futures declined over the month, with the yields on 10-year Australian Treasury bond futures (down 24 bps to 4.85%) and 3-year futures (down 30 bps to 4.48%) both falling. This resulted in a modest steepening of the yield curve. Despite a relatively hawkish RBA, markets are beginning to temper their bets on further hikes as financial conditions have tightened, and domestic demand shows signs of moderating.

Australian credit markets experienced a modest widening in credit spreads over the month, keeping outright yields at elevated levels. The modest widening reflected softer risk appetite, with concerns that higher energy costs may weigh on corporate earnings. May primary issuance was strong, with several domestic and international issuers coming to the market despite ongoing volatility. Australian credit continues to offer attractive outright yields with deals often oversubscribed. Participation from Asian investors remained solid, particularly in senior issuance. Notable transactions during the month included Qantas Senior, Barclays AT1, BPCE Senior and Tier 2 bonds, as well as a number of domestic bank Senior and Tier 2 transactions. The Australian iTraxx index closed the month 5 bps tighter at 72 bps.

Outlook

Inflation remains elevated above the RBA's target range, and trimmed mean inflation is not forecast to return within the band until mid-2027. With no Middle East peace agreement in place, energy prices are expected to remain elevated in the near term, keeping inflationary pressures high. If the conflict persists, we expect this to continue weighing on consumer confidence and, in turn, both global and domestic demand.

Following three consecutive interest rate increases, we see economic growth as a key risk in the coming months. Employment has remained stable, however, with growth slowing and cost pressures elevated, we expect this will place strain on companies and may lead to a softening in labour market conditions. The RBA remains focused on delivering price stability and full employment, reiterating that it will act as required to achieve these objectives. We believe the RBA is better positioned to hold rates at its next meeting, as recent data has proven to be softer than previously forecast.

A more cautious risk sentiment is evident in the market amid concerns around elevated energy prices. If energy prices remain elevated, we would expect to see this weigh on earnings with several corporates already signalling downgrades to the market. However, investment grade balance sheets remain robust with the ability to absorb the impact of short-term earnings volatility. Higher outright yields are expected to persist into the near term, which should continue to support demand for Australian credit.

The proposed budget has prompted a reassessment of investment positioning, with income-generating securities appearing more attractive. In this context, we believe this shift in sentiment will be constructive for increased domestic demand for credit.

Portfolio profile

Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	6.36
Option Adjusted Spread	187
Average weighted issue credit rating	BBB
Average weighted ESG Rating*	BBB+
Estimated yield to maturity (%)	6.33
Fund duration (yrs)	2.01
Spread duration (yrs)	3.67
Number of securities	208
Listed	37
Unlisted	171

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

Sector allocation

	Portfolio %
Asset Backed	-
Banks	45.78
Communication Services	-
Consumer Discretionary	1.37
Consumer Staples	-
Diversified Finance	7.81
Energy	5.95
Health Care	0.69
Industrials	10.00
Information Technology	0.12
Insurance	9.75
Materials	0.33
Mortgage Backed	-
Private Debt	0.18
Real Estate	8.87
Utilities	4.68
Cash & Other	4.47

Top 10 holdings

Issuer	ISIN	Portfolio %
ANZ Banking	AU3FN0091583	1.63
Credit Agricole	AU3CB0331320	1.55
Lendlease	AU3CB0327351	1.48
UBS Group	CH1485827070	1.42
Tabcorp Holdings	AU3CB0328789	1.37
BNP Paribas	AU3FN0094280	1.33
UBS Group	CH1522231294	1.32
Barclays	XS3298830863	1.30
QBE Insurance	AU3FN0110086	1.29
Ampol Limited	AU3FN0094520	1.28

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	16.83
Callable	64.59
At Maturity	14.11

Security profile

	Portfolio %
Floating rate	44.11
Fixed rate	51.42
Cash & Other	4.47

Credit rating profile

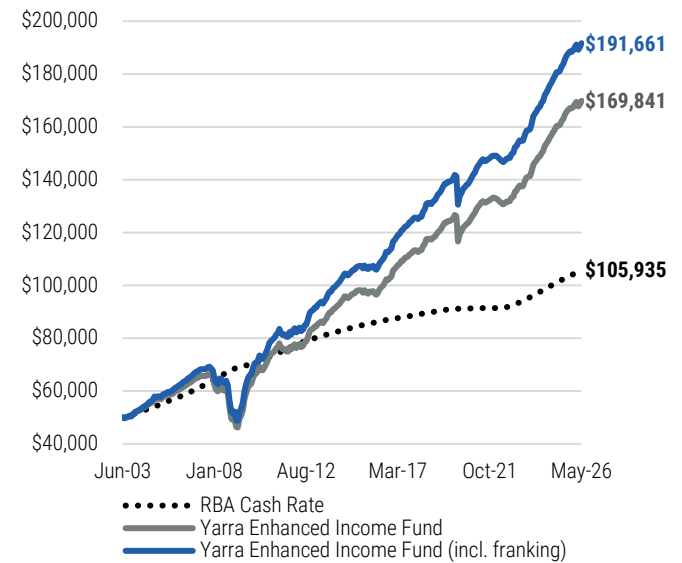
	Portfolio %
AA	0.18
AA-	-
A+	0.09
A	-
A-	15.10
BBB+	16.48
BBB	33.19
BBB-	19.78
BB+	3.44
BB	4.63
BB-	1.85
B+	0.73
B	-
B-	0.07
Not rated or below	-
Cash & Other	4.47

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\$3,216.8mn as at 31 May 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 May 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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