Yarra Enhanced Income Fund

Gross returns as at 30 June 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	1.02	2.41	5.81	8.21	5.97	6.24	6.27
Yarra Enhanced Income Fund (incl. franking)	1.04	2.46	5.92	8.33	6.09	6.49	6.82
RBA Cash Rate#	0.35	1.04	3.84	4.11	3.07	2.06	3.33
Excess return‡	0.69	1.42	2.08	4.22	3.01	4.42	3.49

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 30 June 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	0.98	2.27	5.23	7.61	5.39	5.56	5.50
Yarra Enhanced Income Fund (incl. franking)	1.00	2.32	5.34	7.74	5.51	5.80	6.05
Growth return†	-0.21	0.06	-0.47	1.70	0.23	1.20	0.08
Distribution return†	1.20	2.26	5.81	6.04	5.27	4.61	5.97
RBA Cash Rate#	0.35	1.04	3.84	4.11	3.07	2.06	3.33
Excess return‡	0.65	1.28	1.50	3.63	2.43	3.74	2.72

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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 2.32% (net basis, including franking) over the quarter, outperforming its benchmark by 128 bps. On a 12-month view the Fund returned 5.34% (net basis, including franking), outperforming the RBA Cash Rate by 150 bps.

The Fund delivered strong returns over the quarter, supported by duration, spread compression and carry. Tier 2 was the top performer over the quarter, recovering after the sell-off when the conflict in the Middle East began. As risk sentiment improved and investors became increasingly comfortable looking through the ongoing geopolitical uncertainty, credit spreads tightened, contributing positively to returns.

While bond markets initially sold off in April amid concerns that higher energy prices could reignite inflationary pressures, sentiment improved over the final two months of the quarter.

Weaker economic data and a more balanced stance from the Reserve Bank of Australia (RBA), including a pause in its tightening cycle, led markets to moderate expectations for further rate rises. This supported a broad rally across fixed income markets, contributing positively to portfolio returns.

The Fund's long position in 90-day Bank Accepted Bill futures also contributed strongly, benefiting from the rally in rates, while income remained a consistent source of return throughout the quarter.

We remained active across both primary and secondary markets, focusing on opportunities that offered attractive risk-adjusted returns while continuing to diversify issuer exposure. Notable transactions we participated in during the quarter included CDC Data Centres subordinated debt, APA Infrastructure subordinated debt, Verizon subordinated debt, Liberty Financial senior notes, Barclays AT1, QBE AT1 and NAB Tier 2.

Market review

Geopolitical tensions in the Middle East remained a key market focus over the June quarter, with intermittent ceasefires and renewed hostilities between the United States and Iran creating periods of volatility. Despite disruptions to shipping through the Strait of Hormuz driving spikes in oil prices, markets gradually became less reactive to developments, with oil ending the quarter near pre-escalation levels. Against this backdrop, the Federal Reserve kept the federal funds rate unchanged at 3.50%–3.75%, despite inflation rising on the back of higher energy prices. The unemployment rate held broadly steady at 4.2% across the quarter, while the US 10-year Treasury yields finished the quarter 13 bps higher at 4.47%.

Elsewhere, central banks generally remained attentive to the inflationary implications of higher energy prices. The Bank of England and Bank of Canada both left rates unchanged, while the European Central Bank and Bank of Japan raised rates by 25 bps citing energy-driven inflation concerns. China continued to show signs of economic weakness, with retail sales growth turning negative in May for the first time since 2022, underscoring the fragility of its recovery.

The RBA raised the cash rate by 25 bps to 4.35% in May before holding rates unchanged in June, citing concerns over capacity constraints and elevated energy prices outweighed softer consumer confidence. Quarterly inflation rose 10 bps to 3.5% in March, while labour market softened, with unemployment rising 10 bps to 4.4% over the period. The May Federal Budget focused on cost-of-living relief and fiscal repair, introducing a range of property and tax reforms. Bond yields were volatile, but declined over the quarter, with 3-year bond and 10-year bond yields ending June at 4.35% and 4.76% respectively. The yield curve steepened as expectations for further RBA tightening moderated and markets began pricing in rate cuts next year.

Australian credit markets recovered over the quarter as risk sentiment improved following the volatility of the March quarter. Credit spreads tightened in April after the announcement of a US-Iran ceasefire, widened modestly in May amid concerns over the impact of elevated energy costs on global growth, and then resumed their tightening trend in June as investors grew more comfortable looking through ongoing geopolitical uncertainties.

Primary issuance remained robust, with strong issuance from both domestic and foreign issuers despite periods of market volatility. Bank funding was a key theme, with deals from Macquarie Bank, Bank of China, UBS, AMP Bank, Bendigo and Adelaide Bank, Beyond Bank, ANZ, Suncorp, Royal Bank of Canada and Société Générale. Corporate issuance was also well supported, including notable transactions from NextDC, CDC Data Centres, Qantas, Stockland, Downer, Investa Commercial Property Fund, Worley, Engie and Liberty Financial. Demand remained strong throughout the quarter, with most deals heavily oversubscribed and supported by strong both domestic and Asian investors.

Reflecting the improved market backdrop, the Australian iTraxx index tightened materially over the quarter, closing 23.9 bps lower at 67.8 bps as the risk premium associated with the Middle East tensions was progressively unwound.

Outlook

Market expectations have shifted meaningfully, with the prospects for further RBA rate hikes diminishing and rate cuts increasingly being priced over the year ahead. Inflation has eased and is now tracking below the RBA's forecasts, while the softer economic conditions are expected to further weight on labour market. Although the RBA has maintained a tightening bias and noted that further rate increases remain possible, we believe the RBA is likely to leave policy unchanged, given the growing downside risks to growth and employment.

Investor confidence has steadily recovered since the sell-off associated with the Middle-East conflict. With fuel prices retracing, pressure on corporate earnings should begin to ease, particularly for investment-grade issuers which have generally absorbed the short-term increase in costs well.

While credit spreads and bond yields have both moved modestly lower, primary market demand remains robust, underpinned by strong offshore participation and Australia's ongoing demand for income generating assets. Although issuance has slowed as the financial year draws to a close, momentum in the Australian credit market remains intact. We expect primary market activity to build again post corporate reporting season, supported by healthy funding requirements and continued investor demand.

We continue to remain constructive on Australian credit, supported by resilient fundamentals, attractive income characteristics and sustained investor demand.

Portfolio profile

Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	6.42
Option Adjusted Spread	187
Average weighted issue credit rating	BBB
Average weighted ESG Rating*	BBB+
Estimated yield to maturity (%)	6.19
Fund duration (yrs)	2.05
Spread duration (yrs)	3.69
Number of securities	204
Listed	37
Unlisted	167

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

Sector allocation

	Portfolio %
Asset Backed	-
Banks	44.18
Communication Services	1.77
Consumer Discretionary	1.37
Consumer Staples	-
Diversified Finance	7.74
Energy	5.85
Health Care	0.94
Industrials	9.62
Information Technology	0.12
Insurance	9.67
Materials	0.33
Mortgage Backed	-
Private Debt	0.17
Real Estate	8.72
Utilities	4.66
Cash & Other	4.86

Top 10 holdings

Issuer	ISIN	Portfolio %
Credit Agricole	AU3CB0331320	1.56
ANZ Banking	AU3FN0091583	1.49
Lendlease	AU3CB0327351	1.47
UBS Group	CH1485827070	1.42
Tabcorp Holdings	AU3CB0328789	1.37
UBS Group	CH1522231294	1.32
Barclays	XS3298830863	1.30
QBE Insurance	AU3FN0110086	1.29
National Australia Bank	AU3CB0328235	1.25
BNP Paribas	FR0014014MD4	1.25

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	64.30
At Maturity	14.00

Security profile

	Portfolio %
Floating rate	43.90
Fixed rate	51.24
Cash & Other	4.86

Credit rating profile

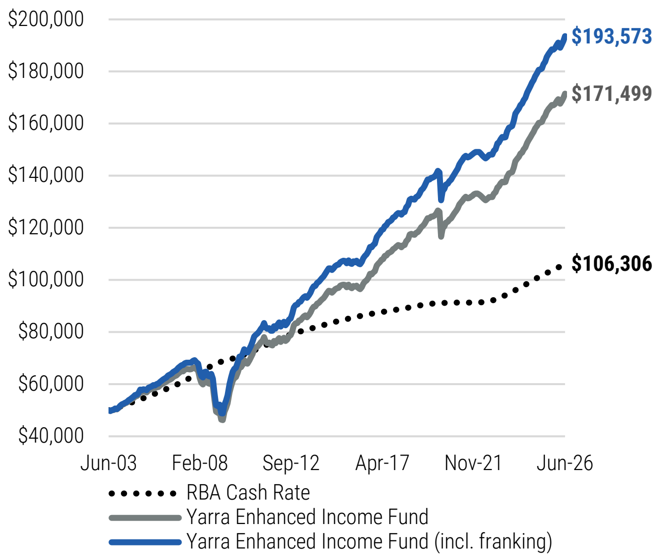
	Portfolio %
AA	0.17
AA-	-
A+	-
A	-
A-	14.03
BBB+	15.99
BBB	32.80
BBB-	21.60
BB+	3.35
BB	4.54
BB-	1.87
B+	0.72
B	-
B-	0.07
Not rated or below	-
Cash & Other	4.86

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$3,258.3mn as at 30 June 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 June 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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