YARRA CAPITAL MANAGEMENT

Investment Commentary
Quarter to 30 June 2026

Yarra Income Plus 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 Income Plus Fund	0.85	3.00	4.22	6.58	4.66	4.39	6.11
Bloomberg AusBond Bank Bill Index	0.39	1.07	3.86	4.20	3.11	2.20	3.87
Excess return‡	0.46	1.93	0.36	2.38	1.55	2.19	2.25

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 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 Income Plus Fund	0.80	2.83	3.52	5.86	3.95	3.69	5.36
Growth return†	-0.61	1.39	-0.40	1.87	0.60	0.47	0.68
Distribution return†	1.41	1.43	3.92	3.99	3.35	3.22	4.68
Bloomberg AusBond Bank Bill Index	0.39	1.07	3.86	4.20	3.11	2.20	3.87
Excess return‡	0.41	1.75	-0.34	1.66	0.84	1.49	1.50

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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 2.83% (net basis) over the quarter, outperforming its benchmark by 175 bps. On a 12-month view the Fund returned 3.52% (net basis), underperforming the Bloomberg AusBond Bank Bill Index by 34 bps.

The Fund delivered strong returns over the June quarter, supported by a broad-based recovery across fixed income and equity markets as investor sentiment improved following the easing of tensions in the Middle East.

A rally in bond markets drove a strong contribution from the Fixed Income sleeve over the period. Falling bond yields also provided support to the REIT and Infrastructure sleeve, with valuations recovering following the earlier market sell-off. The Hybrid and Diversified Credit sleeves benefited from improving credit market conditions, with spreads retracing to pre-conflict levels. The sleeves continued to generate solid income returns over the quarter. The Cash sleeve also contributed meaningfully, with the elevated cash rate providing attractive income generation.

There were no TAA changes to the portfolio during the quarter.

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 outweighing 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.

Sector review

Listed Property, Infrastructure and Utilities

The S&P/ASX 200 A-REIT index had an outstanding quarter (+13.74%), outperforming the broader S&P/ASX 200 which returned 4.05% over the period. The S&P/ASX 300 Custom Infrastructure and Utilities rose +1.65%, underperforming the broader S&P/ASX 200 which had a strong quarter.

Hybrids

Hybrid performance was strong during the quarter, as spreads retraced to levels seen before the start of the conflict in the Middle East. Income generation was consistent throughout the quarter.

Diversified Credit

Diversified credit also performed well, with spreads compressing across the whole credit spectrum. Private debt and syndicated loans continued to deliver elevated income returns over the quarter.

Fixed Income

Bond markets rallied during the quarter. Weaker economic data releases accompanied by the first halt to the interest rate hiking cycle in June saw markets reprice the path of monetary policy with cuts priced in for as early as next year. Evolving geopolitical events have underpinned bond market volatility which has presented opportunities within this sleeve.

Cash

With the cash rate sitting at 4.35% after three 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

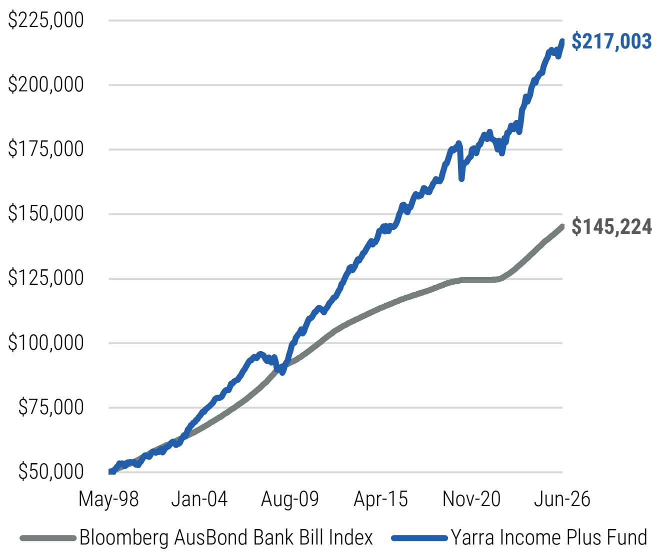
Source: Yarra Capital Management. Portfolio holdings may not be representative of current or future investments. The securities discussed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not 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$52.5mn as at 30 June 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 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 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.

Website www.yarracm.com

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