YARRA CAPITAL MANAGEMENT

Investment Commentary
Month to 31 July 2026

Yarra Income Plus Fund

Gross returns as at 31 July 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	0.06	2.04	3.64	6.21	4.57	4.22	6.10
Bloomberg AusBond Bank Bill Index	0.38	1.11	3.94	4.20	3.18	2.22	3.87
Excess return‡	-0.32	0.94	-0.30	2.01	1.38	2.01	2.23

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 31 July 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	0.00	1.87	2.94	5.50	3.86	3.52	5.35
Growth return†	0.00	0.45	-0.96	1.52	0.51	0.31	0.68
Distribution return†	0.00	1.42	3.90	3.98	3.35	3.21	4.66
Bloomberg AusBond Bank Bill Index	0.38	1.11	3.94	4.20	3.18	2.22	3.87
Excess return‡	-0.38	0.76	-1.00	1.29	0.68	1.30	1.48

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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 was flat (net basis) over the month, underperforming its benchmark by 38 bps. On a 12-month view the Fund returned 2.94% (net basis), underperforming the Bloomberg AusBond Bank Bill Index by 100 bps.

Performance in July was supported by positive returns from the Hybrid, Diversified Credit and Cash sleeves. Renewed conflict in the Middle East prompted a bond market sell-off amid concerns that inflation could remain elevated for longer, resulting in a negative contribution from our Fixed Income sleeve. While duration exposure detracted from returns, credit spreads tightened over the month, helping to keep outright yields relatively stable across our Hybrid and Diversified Credit sleeves. Strong income generation also supported performance in these asset classes. The Real Asset sleeve delivered a modest negative return following the implementation of the budget and growing concerns around residential and industrial property prices. Cash continued to perform strongly following the three increases in the cash rate.

A Tactical Asset Allocation change was implemented at the beginning of the month, increasing the portfolio's Cash allocation by 3% and reducing Real Asset exposure by 3%, resulting in an underweight position in the asset class. The adjustment was made following the implementation of the budget, which increased the risk of weakness in property prices. As a result, the portfolio was better positioned to limit downside risk from any deterioration in the sector.

Market review

An escalation in Middle East hostilities drove a sell-off in bonds, as concerns over higher energy prices and inflation dominated the market.

In the United States, the Federal Open Market Committee (FOMC) decided to hold the target range for the federal funds rate at 3.5-3.75%, despite markets pricing in a rate rise. The FOMC cited that economic activity is expanding at a solid pace. The committee noted that inflation remains elevated above their 2% goal, with the PCE price index rising 3.7% in the 12 months to June 2026, stating this reflects in part the supply shock which has driven energy prices higher. The US unemployment rate for June 2026 came in at 4.2%, little changed from the prior month. The yields on US 10-year Treasuries rose 21 bps to 4.67%.

Elsewhere, the Bank of England also held its cash rate constant, citing inflation had fallen by more than expected with CPI coming in at 2.6% (y/y) for June 2026. Likewise, the Bank of Canada, European Central Bank and Bank of Japan held their policy interest rates constant. However, the Reserve Bank of New Zealand raised its official cash rate by 25 bps to 2.50%, with concern over near-term inflationary pressures resulting from the energy price shock.

In Australia, there was no Monetary Policy Board meeting in July for the Reserve Bank of Australia (RBA). The cash rate remains at 4.35%. The Consumer Price Index (CPI) rose 3.8% for the 12 months to June 2026, which was lower than both the RBA's forecast and market consensus. Housing remained the largest contributor to annual inflation and Transport was surprisingly the lowest contributor to annual inflation (adding only 10 bps).

The unemployment rate was unchanged at 4.4% for June 2026. Labour market conditions changed little from the previous month, although this softer data has emerged earlier than the RBA had forecast. During the month, bonds sold off following escalation in the Middle East. The yield on 3-year Treasury bond futures rose 20 bps to 4.55%, while the yield on 10-year Treasury bond futures rose 28 bps to 5.03%. As a result, the yield curve steepened slightly amid concern over higher energy prices.

Credit spreads tightened marginally over the month, with outright yields relatively stable. The lack of new corporate issuance in July was the primary driver of spread compression; investors continue to view Australian credit markets favourably in the wake of geopolitical uncertainty, albeit spreads were more volatile as investors sought to adjust positions with more liquid lines in secondary markets. Outright yields remain attractive and while primary issuance for the month was quiet, as we head into company reporting season, Australian credit continues to be supported by strong demand from domestic and foreign investors particularly from Asia.

Of the deals that came to market during the month, senior issuance dominated the market. Notable deals included CDC Data Centres senior, Challenger Life senior, NAB senior and CBA senior. The Australian iTraxx index closed the month 4.7 bps wider at 72.5 bps.

The S&P/ASX 200 A-REIT Index declined in July, returning -0.07% for the month, while the broader S&P/ASX 200 returned +2.26%. The S&P/ASX 300 Custom Infrastructure and Utilities Index returned +0.82%.

While an increasing Cash Rate makes the Cash Sleeve more attractive, we continue to identify stronger opportunities to allocate capital to other sleeves that offer better risk-adjusted returns.

Asset allocation

	Target %*	Neutral position %§	Strategy
A-REITs, Infrastructure & Utilities	12.0%	15.0%	Underweight
Hybrid and FRNs	9.5%	15.0%	Underweight
Diversified Credit†	13.0%	10.0%	Overweight
Fixed interest	35.0%	20.0%	Overweight
Cash	30.5%	40.0%	Underweight

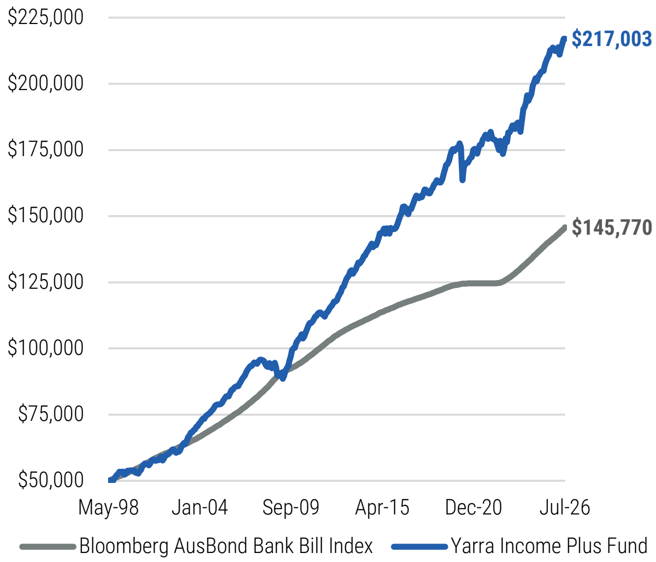
Source: Yarra Capital Management. Portfolio holdings may not be representative of current or future investments. The securities discussed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not 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$51.5mn as at 31 July 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 July 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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