YARRA CAPITAL MANAGEMENT

Investment Commentary
Month to 31 August 2026

Yarra Income Plus Fund

Gross returns as at 31 August 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	-0.22	0.69	2.40	6.01	4.36	4.18	6.07
Bloomberg AusBond Bank Bill Index	0.38	1.15	3.99	4.21	3.26	2.24	3.87
Excess return‡	-0.60	-0.46	-1.59	1.80	1.10	1.95	2.20

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 August 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	-0.28	0.51	1.71	5.29	3.66	3.48	5.32
Growth return†	-0.28	-0.89	-2.14	1.32	0.32	0.27	0.67
Distribution return†	0.00	1.40	3.85	3.97	3.34	3.21	4.65
Bloomberg AusBond Bank Bill Index	0.38	1.15	3.99	4.21	3.26	2.24	3.87
Excess return‡	-0.66	-0.63	-2.29	1.08	0.40	1.24	1.45

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 prepared on an exit to exit basis – they include all ongoing fees and expenses and assume reinvestment of all distributions.

* 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 -0.28% (net basis) over the month, underperforming its benchmark by 66 bps. On a 12-month view the Fund returned 1.71% (net basis), underperforming the Bloomberg AusBond Bank Bill Index by 229 bps.

Performance for the month was negative as long duration assets sold off as the market moved to price in more rate hikes from the Reserve Bank of Australia (RBA). While the Cash, Diversified Credit and Hybrid sleeves all contributed with returns underpinned by income gains, our overweight to Fixed Income detracted. The REIT and Infrastructure sleeve was also hampered by the impact of higher rate expectations, despite broadly strong results during reporting season.

There were no Tactical Asset Allocation changes to the portfolio during the month.

Market review

Another month of volatility was punctuated by 2 key events in the US. The first was Treasury Secretary Scott Bessant's attempt to control the long end of the US yield curve in response to the 30-year bond yield reaching levels not seen since 2007. While the initial reaction saw bond yields rally marginally, the gains did not last and reverted back the following session. The second key event was Kevin Warsh's first speech at Jackson Hole, the annual central bankers conference. Warsh reiterated the need to take further action to bring inflation back under control, prompting markets to price in US rate hikes in September. The yield on the 10-year treasuries closed 9 bps higher at 4.78%. In other developed economies, the Bank of Japan has raised its inflation forecasts because of the conflict in the Middle East, with the market pricing in a higher chance of rate hikes. Additionally in New Zealand, the market continues to price in the expectation of a significant tightening cycle with a hike in September on the back of elevated inflation pressures.

Domestically, the RBA left the cash rate unchanged at 4.35% citing upside risks to inflation. The updated set of forecasts show trimmed mean inflation moving back to the midpoint of the target band by the end of 2027 with the unemployment rate only rising marginally to 4.7%. While the updated forecast and policy decision didn't impact markets significantly, the monthly CPI print which was stronger than expected saw bonds sell off. The month of July saw headline CPI come in at 3.5% with domestic travel, fuel and audio, visual and computing equipment being the strongest contributors. After this release the market moved quickly to price in an increased chance of a September rate hike with several bank economists changing their view to bring rate hikes forward. During the month the latest unemployment rate came out at 4.5%. Both 3-year and 10-year bond futures sold off during the month with the curve flattening marginally reflecting a more aggressive tightening bias in the market. The 3-year yield closed at 4.66% following an increase of 11 bps and the 10-year yield closed at 5.10% following an increase of 7 bps.

Credit spreads widened marginally during the month as a combination of macro-economic factors and supply impacted the market. Secondary markets widened as investors rotated out of existing lines to make space for Alphabet's inaugural $A issuance. The $5.5 billion issuance across several tenors was the first hyperscaler issuance in the domestic market. The deal attracted over $18 bn in bids and has potentially paved the way for issuances by other AI hyperscaler. While spreads did move slightly wider this did not stop a plethora of other issuers coming to market. Notably, Newcastle Coal Infrastructure Group attracted $1.8 bn in bids for their $200 mn issuance showing a shift in sentiment towards coal names. During the month we also saw Tier 2 issuance from domestic banks return to the market alongside NextEra returning with another subordinated debt transaction. Domestic reporting season saw volatility in the equity market, however, there was less excitement in the corporate bond market with most investment grade corporates remaining well positioned with robust balance sheets. The Australian credit market has continued to attract strong demand from offshore investors as it firmly establishes itself as an important funding market for global issuers. The Australian iTraxx was 1 bp tighter at 71.5 bps.

The S&P/ASX 200 A-REIT Index declined in August, returning -6.67% for the month while the broader S&P/ASX 200 returned +1.54%. The S&P/ASX 300 Custom Infrastructure and Utilities Index returned -0.46%.

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

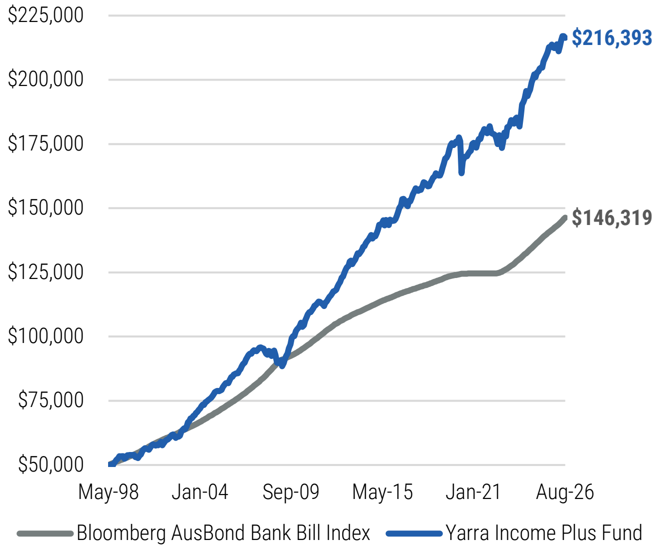
Source: Yarra Capital Management. Portfolio holdings may not be representative of current or future investments. The securities discussed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not 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$50.7mn as at 31 August 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 August 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

Investor Services Team 1800 034 494 (Australia) +61 3 9002 1980 (Overseas) IST@yarracm.com