

Yarra Australian Bond Fund

Net returns as at 30 September 2026

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.
Yarra Australian Bond Fund	-1.06	-1.80	-0.62	4.02	0.31	1.75	4.61
Growth return [#]	-1.98	-2.71	-4.14	0.83	-1.77	-1.30	-0.21
Distribution return [#]	0.92	0.91	3.53	3.19	2.08	3.04	4.82
Bloomberg AusBond Composite 0+YR Index	-0.86	-1.51	-0.40	3.55	0.00	1.52	4.51
Excess return [#]	-0.20	-0.29	-0.22	0.47	0.31	0.23	0.10

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.

[#]Growth returns are measured by the movement in the 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. Excess return is the difference between the Fund's net return and its benchmark (Bloomberg AusBond Composite 0+YR Index).

*Inception date: July 2000.

Portfolio review

After fees and expenses, the Fund returned -1.06% to underperform the benchmark by 20 basis points (bps).

The portfolio remains overweight duration relative to the benchmark, which was the primary detractor from performance in September. We continue to anticipate a steepening of yield curves as markets adjust to the prospect of inflation remaining elevated for longer, alongside ongoing borrowing requirements from sovereign and corporate issuers. While near-term cash rate cuts appear unlikely, we believe government bond yields continue to overstate the likely terminal cash rate. In the absence of a further acceleration in inflation, we expect bond yields to moderate towards year-end, with the adjustment likely to be led by the front end of the curve.

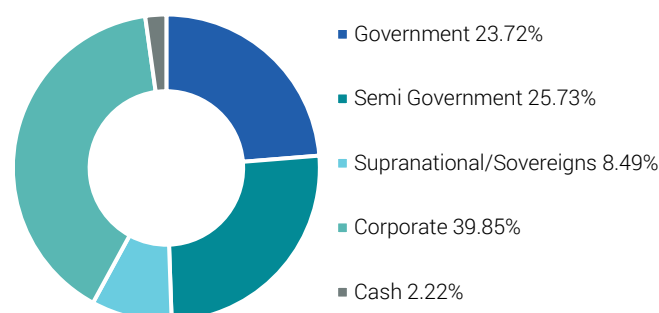
The portfolio maintains an overweight allocation to spread products, primarily residential mortgage-backed securities (RMBS) and other financials, Australian semi-government bonds, and supranational agencies. Corporate credit exposure is concentrated in bonds with maturities of less than five years, while semi-government and supranational exposures are positioned predominantly between 5 to 15 years. Credit spreads were mixed over the month but have widened over the past few months from their lows.

Fund Overview

Characteristics	Fund	Benchmark	Difference
Modified Duration (yrs)	5.12	4.76	0.36
Corporate Spread Duration (yrs)	1.01	0.36	0.65
Total Spread Duration (yrs)	3.66	2.46	1.20
Yield to Maturity (%)	5.72	5.36	0.36
Average Coupon (%)	4.03	3.26	0.77
Weighted-average Credit Rating [#]	AA	AA	-

[#]Standard & Poor's

Portfolio Asset Allocation



Risk Characteristics

3 Year Volatility (p.a.)	4.19%
3 Year Tracking Error (p.a.)	0.47%

Market Commentary

The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, returned -0.86% in September. The month was characterised by extreme volatility, with higher bond yields observed globally. The 3-year government bond yield rose 28 basis points to 4.94%, while the 10-year yield also increased by 28 basis points to 5.37%. Yields moved within a 40-basis-point range over the month, with the 3-year / 10-year bond spread initially flattening before returning to broadly unchanged levels, leaving the overall yield curve slope unchanged. Short-term money market rates also climbed higher, with the 3-month bank bill rate rising 22 basis points to 4.77% and the 6-month bank bill rate increasing 24 basis points to 5.12%. The Australian dollar weakened against the US dollar ending the month at USD 0.69.

The spread between Australian and US 10-year bond yields narrowed from 38 bps to 11 bps amid renewed concerns over sovereign debt sustainability, inflation and the prospect of further rate hikes in the US, Japan and Europe. Uncertainty surrounding the duration of the US–Iran conflict, rising commodity prices and fiscal pressures in the US and France weighed on global bond markets, driving yields higher as expectations shifted away from rate cuts towards further tightening.

At its September meeting, the Reserve Bank of Australia (RBA) Monetary Policy Board unanimously decided to raise the cash rate target by 25bps to 4.60%, in line with expectations, marking its fourth-rate hike of the year and taking borrowing costs to their highest level since 2011. The Board highlighted several factors contributing to renewed inflationary pressure, including higher global energy prices following oil supply disruptions amid the broader Middle East conflict and persistent domestic capacity constraints. AI-related demand is also contributing to higher global technology goods prices, while businesses continue to report rising input costs and an intention to pass these through to customers. The Board reiterated that further tightening may be required to prevent inflation from becoming entrenched and to ensure inflation returns sustainably to target.

Australia's annual inflation rate accelerated to 4.0% in August 2026, up from 3.5% in July and slightly below market expectations, marking its highest level in three months. The increase was driven primarily by higher housing costs, while transport inflation also accelerated on the back of rising automotive fuel prices and the unwinding of the remaining federal government fuel excise relief in August. Underlying inflation remained elevated, with the trimmed mean CPI holding at 3.6% year-on-year, remaining at its highest level since September 2024 and in line with expectations. On a monthly basis, the CPI increased 0.4%, below consensus forecast and easing sharply from the 1.0% rise recorded in July.

Domestic data released during the month continued to point to a moderation in economic activity. The Australian economy grew 0.4% over Q2, up from 0.3% in the previous quarter and slightly stronger than expected. Australia's seasonally adjusted

unemployment rate edged up to 4.6% in August, above both market expectations and July's 4.5%. It was the highest since November 2021. The Cotality Home Value Index fell 1.1% in September, its sixth consecutive monthly decline, leaving national dwelling values 5.2% below their March peak amid higher rates, affordability constraints, tighter lending standards and softer investor demand following changes to negative gearing and capital gains tax.

Top 10 Issuers

Security	Rating
Commonwealth Government Bonds	AAA
Commonwealth Bank Australia	AA-
New South Wales Treasury Corporation	AA+
Treasury Corporation of Victoria	AA
South Australian Govt Financial Authority	AA+
Nationwide Building Society	A+
Western Australia Treasury Corporation	AAA
International Finance Corporation	AAA
PSP Capital Inc	AAA
Queensland Treasury Corporation	AA

All of the above portfolio securities are Australian dollar denominated issues and include fixed interest and FRNs.

Market Outlook

Australia appears to be entering a prolonged period of modest growth, gradually easing inflation but remaining somewhat volatile, slightly higher unemployment and elevated interest rates. The economy continues to be supported by population growth, public spending, technology and AI-related investment, a labour market that remains relatively resilient and a demographic tailwind, with wealthier older households, who are less sensitive to interest rates, continuing to spend. However, growth is being constrained by weak productivity, ongoing cost-of-living pressures, elevated household debt and heightened global uncertainty, particularly relating to energy markets and trade tensions. Recent forecasts suggest Australia is likely to avoid a technical recession, although economic growth remains subdued and per-capita growth is weak.

The RBA has maintained a restrictive monetary policy stance as inflation has proved more persistent than anticipated. Following a series of rate increases throughout 2026, the cash rate was lifted by 25 basis points to 4.60% at the board's September meeting, ending a multi-month pause and marking a cumulative 100-basis-point tightening for the year. The board noted that previously identified upside risks had materialised, driven by a broadened Middle East conflict inflating global oil supply prices, stronger-than-expected domestic inflation outcomes, rising corporate cost pressures, and a surge in technology goods pricing linked to intensive AI and data-centre demand. While the board considered weaker

housing activity, low consumer confidence, and early signs of a cooling labour market, it ultimately decided that pressure on domestic capacity required decisive action. The RBA continues to maintain a hawkish bias, reaffirming its readiness to raise rates if inflation fails to sustainably track back toward the target 2-3% range.

With inflation remaining above the RBA's 2–3% target, borrowing costs are likely to remain elevated over the short to medium term. The RBA faces a delicate balancing act between containing domestic demand and supporting a softening labour market, with unemployment around 4.6% and potentially edging higher as below-trend growth weighs on hiring. Nevertheless, unemployment remains low by historical standards, while the RBA has limited capacity to mitigate externally driven energy price shocks.

Consumer confidence remains fragile, as cost-of-living pressures, persistent inflation, and geopolitical uncertainty continue to weigh on household sentiment. With concern about global energy prices rising and the unwinding of the temporary fuel excise reduction expected to place upward pressure on domestic fuel prices, adding to household cost-of-living pressures and slowing the pace of disinflation. As a result, households remain cautious, prioritising essential spending over discretionary purchases. Consumer pessimism also remains unusually elevated relative to the low unemployment rate, while softening housing prices are likely to further constrain consumption by reducing the household wealth effect.

Business conditions remain mixed. Firms supported by infrastructure, AI, data centres, the energy transition and technology investment remain confident. In contrast, many small and medium-sized businesses continue to face pressure from higher borrowing costs, weaker consumer demand and rising operating costs. While investment intentions remain positive overall, businesses are increasingly focused on productivity gains and cost management.

The economy is not currently showing signs of a severe downturn, but both consumer and business sentiment remain cautious. Key risks include a sharper slowdown in China, renewed energy price shocks, escalating global trade tensions, weaker productivity growth and increased volatility stemming from geopolitical conflicts. Improvements in productivity and business investment remain critical to strengthening the medium-term outlook.

China, Australia's largest export market and the dominant buyer of iron ore, coal and other commodities, is expected to record moderate but slowing growth, with the OECD and IMF forecasting GDP growth of around 4.5% in 2026 and the low-4% range in 2027, down from approximately 5% in 2025. While government stimulus, infrastructure investment, high-tech manufacturing and exports continue to support activity, the economy faces persistent structural challenges, including a prolonged property downturn, weak household consumption, industrial overcapacity and deflationary pressures. For Australia, weaker Chinese property activity could reduce demand for commodity exports and weigh on mining

investment, although infrastructure spending and continued strength in manufacturing should provide some ongoing support.

The U.S. economy is expected to remain relatively resilient, with the OECD forecasting GDP growth of around 2.0% in 2026 and 1.8% in 2027. Growth continues to be supported by consumer spending, AI-related investment and productivity gains, although persistent inflation, fiscal pressures and trade policy uncertainty are expected to moderate activity. For Australia, continued U.S. growth should support global demand and financial market stability. However, uncertainty surrounding tariffs, trade policy and government finances could increase market volatility, tighten global financial conditions and weigh on global trade. The recent U.S. rate increase, coupled with elevated Treasury yields amid persistent inflation, fiscal pressures and substantial borrowing requirements, is expected to tighten global financial conditions and place upward pressure on borrowing costs and bond yields, with these effects already evident in Australian bond markets. At the same time, continued U.S. investment in technology, AI, defence and energy presents opportunities for Australian exporters and investors.

Fund Objective

The Fund aims to outperform the Bloomberg AusBond Composite 0+YR Index over any three-year rolling period, before fees, expenses and taxes.

Key Facts	
Responsible Entity Yarra Funds Management Limited	Management Cost 0.30% p.a.
APIR Code TYN0104AU	Buy/Sell Spread +0.05% / -0.05%
Portfolio Manager Darren Langer	Distribution Frequency Quarterly
Fund Size A\$590 mn as at 30 September 2026	Benchmark Bloomberg AusBond Composite 0+YR Index
Minimum Investment A\$10,000	

Applications and contacts

Investment into the Yarra Australian Bond 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

Disclaimer

Yarra Funds Management Limited ABN 63 005 885 567, AFSL 230 251 (YFM) is the issuer and responsible entity of units in the Yarra Australian Bond Fund ARSN 098 736 255 (Fund). YFM is not licensed to provide personal financial product advice to retail clients. The information provided contains general financial product advice only. The advice has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client's objectives, financial situation or needs. Prior to investing in any of the Funds, you should obtain and consider the Product Disclosure Statement (PDS) and the Target Market Determination ('TMD') for the relevant Fund by contacting our Investor Services team on 1800 251 589 or from our website at www.yarracm.com/pdsupdates.

The information set out has been prepared in good faith and while YFM and its related bodies corporate (together, the "Yarra Capital Management Group") reasonably believe the information and opinions to be current, accurate, or reasonably held at the time of publication, to the maximum extent permitted by law, the Yarra Capital Management Group: (a) makes no warranty as to the content's accuracy or reliability; and (b) accepts no liability for any direct or indirect loss or damage arising from any errors, omissions, or information that is not up to date. No part of this material may, without the Yarra Capital Management Group's prior written consent be copied, photocopied, duplicated, adapted, linked to or used to create derivative works in any form by any means.

YFM manages each of the Funds and will receive fees as set out in each PDS. To the extent that any content set out in this document discusses market activity, macroeconomic views, industry or sector trends, such statements should be construed as general advice only. Any references to specific securities are not intended to be a recommendation to buy, sell, or hold such securities. Past performance is not an indication of, and does not guarantee, future performance. Information about the Funds, including the relevant PDSs, should not be construed as an offer to any jurisdiction other than in Australia. With the exception of some Funds that may be offered in New Zealand from time to time (as disclosed in the relevant PDS), we will not accept applications from any person who is not resident in Australia or New Zealand. The Funds are not intended to be sold to any US Persons as defined in Regulation S of the US federal securities laws and have not been registered under the U.S. Securities Act of 1933, as amended.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. Holdings may change by the time you receive this report. Future portfolio holdings may not be profitable. The information should not be deemed representative of future characteristics for the strategy. There can be no assurance that any targets stated in this document can be achieved. Please be advised that any targets shown are subject to change at any time and are current as of the date of this document only. Targets are objectives and should not be construed as providing any assurance or guarantee as to the results that may be realized in the future from investments in any asset or asset class described herein. If any of the assumptions used do not prove to be true, results may vary substantially. These targets are being shown for informational purposes only.

© Yarra Capital Management, 2026.