

Yarra Income Plus Fund

Gross 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 Income Plus Fund	-0.72	-0.88	1.62	6.08	4.25	4.15	6.02
Bloomberg AusBond Bank Bill Index	0.36	1.11	4.06	4.21	3.33	2.26	3.87
Excess return [‡]	-1.07	-2.00	-2.44	1.86	0.92	1.89	2.15

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 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 Income Plus Fund	-0.77	-1.05	0.93	5.36	3.55	3.44	5.27
Growth return [†]	-1.61	-1.89	-3.01	1.36	0.09	0.21	0.61
Distribution return [‡]	0.84	0.83	3.94	4.00	3.46	3.23	4.66
Bloomberg AusBond Bank Bill Index	0.36	1.11	4.06	4.21	3.33	2.26	3.87
Excess return [‡]	-1.13	-2.17	-3.13	1.15	0.21	1.18	1.40

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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 -1.05% (net basis) over the quarter, underperforming its benchmark by 217 bps. On a 12-month view the Fund returned 0.93% (net basis), underperforming the Bloomberg AusBond Bank Bill Index by 313 bps.

The Fund delivered a negative return over the quarter as market volatility increased following the resurgence of tensions in the Middle East, prompting renewed concerns around inflation and global energy prices. As a result, the portfolio's exposure to interest rates detracted from performance. The Fixed Income and Real Asset sleeves were the largest detractors as higher bond yields and the repricing of interest rate expectations weighed on returns. The Hybrid and Diversified Credit sleeves were also impacted, although the income generated remained resilient throughout the quarter and helped offset some of the capital losses. The Cash sleeve performed well, benefiting from the higher cash rate.

A Tactical Asset Allocation change was implemented at the beginning of the quarter, 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

Geopolitical developments in the Middle East remained the dominant driver of global markets throughout the September quarter. Following a brief ceasefire between the United States and Iran at the end of June, hostilities intensified during July and persisted through August and September, contributing to higher energy prices, rising inflation expectations and elevated market volatility. Brent crude oil prices moved progressively higher through the quarter, briefly surpassing US\$100 per barrel in September as markets increasingly focused on the inflationary consequences of the ongoing conflict.

Against this backdrop, major central banks adopted a more hawkish tone. The Federal Open Market Committee (FOMC) left the federal funds rate unchanged at 3.50%-3.75% in July

despite market expectations of further tightening. During August, attention turned to comments from Federal Reserve Chair Kevin Warsh at Jackson Hole, where he reinforced the need to return inflation to target and strengthened market expectations of additional policy tightening. These expectations were validated in September when the FOMC unanimously increased the federal funds target range by 25 bps to 3.75%-4.00%, citing persistent inflationary pressures and a desire to accelerate the return to its 2% inflation objective. Bond markets experienced significant volatility as investors reassessed the outlook for interest rates. The yield on the US 10-year Treasury increased steadily through the quarter, rising 75 bps to 5.21% by the end of September, in addition to the 30-year Treasury yield reaching its highest level since 2002. Strong consumer spending, elevated energy prices and concerns regarding long-term inflation all contributed to higher yields.

Outside the United States, central banks generally remained focused on inflation risks associated with higher energy costs. The Reserve Bank of New Zealand increased its official cash rate by 25 bps in both July and September, while the Bank of Japan raised inflation forecasts during August before increasing its policy rate by 25 bps in September to its highest level since 1995. In contrast, the Bank of England and Bank of Canada left policy settings unchanged throughout the quarter, preferring to assess the economic implications of the evolving geopolitical environment.

Domestically, the Reserve Bank of Australia (RBA) maintained their cautious stance throughout the quarter. The cash rate remained unchanged at 4.35% in July and August, although policymakers consistently highlighted upside risks to inflation arising from higher energy prices and resilient economic activity. In September, the RBA responded to the changing inflation outlook by raising the cash rate 25 bps to 4.60%. The Board noted that higher oil prices and the materialisation of upside inflation risks warranted a further move into restrictive territory, despite evidence that previous rate increases were beginning to slow economic activity. Headline CPI came in at 4.0% in the 12 months to August up from 3.5% in the 12 months to July. More of note was the month on month increases which prompted the RBA's hike in September with a 1% and 0.4% increase in the months of July and August respectively. The labour market remained relatively resilient, although conditions did begin to soften. The unemployment rate increased from 4.4% in June to 4.6% in August. While employment conditions remained broadly stable, labour market weakness emerged earlier than forecasted by the RBA.

Australian bond markets experienced a significant sell-off over the quarter as investors priced in a higher terminal cash rate and reduced expectations for near-term easing. The yield curve steepened over the quarter with the yield on the 3-year bond futures rising 59 bps to 4.94% and the yield on the 10-year bond futures increasing 62 bps to 5.37%. Yield curve movements were volatile throughout the quarter as markets balanced concerns over rising global energy prices and slowing domestic growth against an increasingly inflation-focused central bank.

Australian credit markets remained relatively resilient despite the challenging macroeconomic backdrop. While geopolitical uncertainty, higher bond yields and concerns regarding inflation contributed to periods of volatility, strong investor demand continued to underpin the market. Credit spreads generally traded within a relatively narrow range throughout the quarter. Limited corporate issuance in July supported spread compression, while August saw increased primary market activity and modest widening as investors repositioned portfolios to accommodate for new transactions. Market sentiment softened further in September as higher rates and broader risk aversion encouraged some selling in more liquid securities. Nevertheless, underlying credit fundamentals across the domestic debt market remained broadly robust, with reporting season showing investment grade corporates in good financial health.

Primary issuance remained active despite periods of volatility. Notable transactions during the quarter included Alphabet's inaugural Australian dollar bond issuance, which attracted exceptionally strong investor demand and highlighted the growing importance of the Australian market as a funding source for global issuers. Other notable issues included CDC Data Centres senior, NextEra subordinated, Newcastle Coal Infrastructure Group senior, Anglian Water senior and Tier 2 issuance from a number of domestic banks. Demand from international investors, particularly those based in Asia, remained a key theme throughout the quarter. This continued support helped offset risk aversion and reinforced the attractiveness of Australian credit relative to other global markets.

The Australian iTraxx index widened modestly over the quarter, closing September at approximately 72.3 bps, reflecting a marginally more cautious risk environment yet continuing to trade materially tighter than levels observed earlier in the year.

Sector review

Listed Property, Infrastructure and Utilities

The S&P/ASX 200 A-REIT index had an underwhelming quarter (-8.38%), underperforming the broader S&P/ASX 200 which returned 1.33% over the quarter. The S&P/ASX 300 Custom Infrastructure and Utilities Index fell -4.34% during the September quarter, underperforming the wider S&P/ASX 200 which had a positive quarter.

Hybrids

Hybrid performance was weaker during the quarter as rising bond yields and higher interest rate expectations weighed on valuations. While spreads remained relatively stable, the repricing of interest rates resulted in duration detracting from the portfolio. Income generation remained strong and continued to provide an important source of return throughout the period. Floating rate notes performed well given their lower duration profile, benefiting from higher running yields and supportive credit market conditions.

Diversified Credit

Diversified Credit outperformed Hybrids during the quarter,

supported by its lower sensitivity to rising interest rates and strong income generation. Warehousing and syndicated loan exposures were the strongest contributors, delivering elevated running yields and benefiting from generally resilient credit market conditions. While some spread volatility emerged later in the quarter amid increased supply and risk-off sentiment, income generation remained the primary driver of returns.

Fixed Income

Bond markets sold off during the quarter as the resurgence of conflict in the Middle East renewed concerns that elevated oil prices could persist for longer, prompting markets to reprice the path of monetary policy. The September cash rate increase had been largely priced in and expectations for further rate hikes have now moderated following the RBA's meeting and further economic data releases.

Cash

With the cash rate sitting at 4.60% after the fourth interest rate hike this year, 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	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.

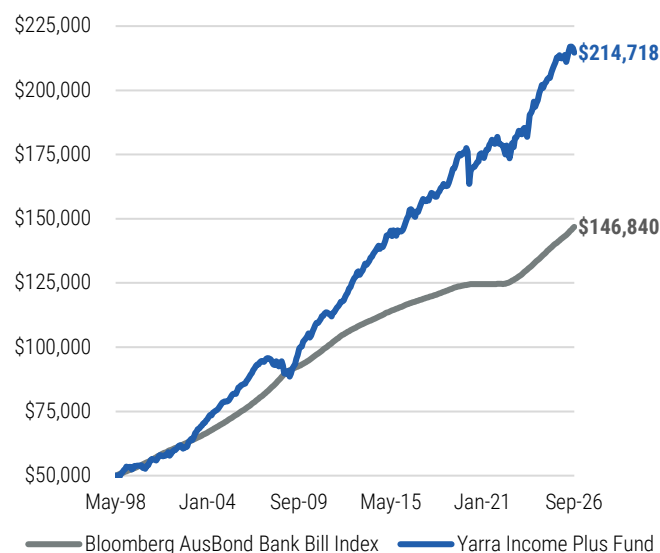
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$50.5mn as at 30 September 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 September 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.

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