YARRA
CAPITAL MANAGEMENT

Investment Commentary
Month to 31 October 2026

Yarra Income Plus Fund

Gross returns as at 31 October 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	0.92	-0.03	2.04	6.71	4.57	4.36	6.04
Bloomberg AusBond Bank Bill Index	0.37	1.11	4.14	4.23	3.41	2.28	3.87
Excess return‡	0.54	-1.14	-2.10	2.48	1.16	2.07	2.17

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 October 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	0.86	-0.20	1.35	5.99	3.87	3.65	5.29
Growth return†	0.86	-1.04	-2.61	1.96	0.40	0.41	0.64
Distribution return†	0.00	0.84	3.96	4.03	3.47	3.24	4.65
Bloomberg AusBond Bank Bill Index	0.37	1.11	4.14	4.23	3.41	2.28	3.87
Excess return‡	0.49	-1.31	-2.78	1.76	0.45	1.37	1.42

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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 0.86% (net basis) over the month, outperforming its benchmark by 49 bps. On a 12-month view the Fund returned 1.35% (net basis), underperforming the Bloomberg AusBond Bank Bill Index by 278 bps.

The Fund performed reasonably well over the month despite heightened market volatility. The Fixed Income sleeve performed strongly benefitting from the flight to safety trade following the AI-related technology stock sell-off as well as the weaker labour market data which also saw a rally in bonds. The Diversified Credit and Hybrid sleeves contributed positively to performance with returns underpinned by their strong, consistent income generation. The Real Asset sleeve contributing positively as it recovered from the significant sell-off when near-term inflationary pressures led markets to price in more rate hikes. The Cash sleeve continues to perform well given the higher rate environment.

There were no Tactical Asset Allocation changes during the month.

Market review

Strikes on commercial ships and tankers in the Strait of Hormuz increased during October, with Brent crude rising to around US$118 a barrel, its highest level since the end of April. As in previous months, the ongoing conflict contributed to heightened market volatility, however, there has been some relief to markets with a resolution to the war looking closer. Towards the end of the month, US Treasuries rallied amid a flight to safety following a sharp sell-off in mega-cap AI and technology stocks, as concerns grew over whether significant AI-related investment would generate sufficient returns. Additionally, with the US midterm elections taking place, the prospect of a sweep by either party may influence markets and drive differing reactions across asset classes. The Federal Open Market Committee (FOMC) voted 10-2 to keep the federal funds rate target range unchanged at 3.75% to 4.00%, noting that inflation remained elevated while economic activity continued to expand at a solid pace. The unemployment rate increased 10 bps to 4.2% in September. Real GDP increased at an annual rate of 3.4% in Q3. The yield on the 10-year US Treasury fell 28 bps over the month to 4.93%.

Elsewhere, the European Central Bank kept policy rates unchanged, with unemployment remaining low and economic activity continuing to grow despite ongoing headwinds, while higher energy prices added to inflationary pressures. The Bank of Japan kept its policy rate unchanged, in line with expectations, following its 25 bps increase a month earlier. Surprisingly, the Reserve Bank of New Zealand also left its cash rate unchanged in a 4-3 decision, with greater concern around the outlook for New Zealand's economic recovery than the near-term inflationary impact of higher oil prices. In contrast, the Bank of Canada raised its policy rate by 25 bps to 2.50%, reflecting resilient economic growth and concerns that inflation may prove higher and more persistent than previously expected.

The Reserve Bank of Australia (RBA) raised the cash rate by 25 bps to 4.85% on Melbourne Cup Day, amid concerns that the ongoing conflict in the Middle East could keep energy prices elevated for longer than initially expected as well as tighter than anticipated domestic capacity pressures contributing to higher prices. The RBA has updated their Statement on Monetary Policy forecasts showing headline and trimmed mean inflation not returning to the band until December 2027, with the unemployment rate expected to grow. The monthly CPI rose 0.8%, with inflation over the 12 months to September 2026 increasing to 4.3%, up from the previous month, but broadly in line with expectations. The unemployment rate continued to rise, increasing to 4.7% in September, faster than the RBA's initial forecasts. Following the softer labour market data, bonds rallied modestly through the middle of the month, before rallying again towards month-end as the sell-off in US technology stocks flowed through to the Australian market and prompted a broader move towards safer assets. Yields on both 3-year and 10-year bond futures declined over the month, with the curve flattening as markets reflected the impact of tighter monetary policy alongside increased safe-haven demand. The 3-year yield closed at 4.81%, down 13 bps, while the 10-year yield closed at 5.13%, down 25 bps.

In Australian credit markets, spreads widened broadly, although there was significant tightening in the listed hybrid spreads as they recovered from their sell-off in the previous months. Risk-off sentiment emerged following AI profitability concerns globally as well as domestically. Of note, NextDC saw delay in its power upgrade to its M3 data centre following community push back and its sub-contractor stopping work, as a result it saw roughly $3 billion wiped from its market cap. The subordinated debt deal which had originally priced at 350 bps saw spreads blow out to around 550 bps following the news. With corporates posting quarter end results and holding their annual general meetings, deal flow was relatively quiet compared to previous months. Deals pricing during the month were mainly senior debt transactions. Transactions of note included a senior note from Boral, Challenger Life's annuity-backed notes and MUFG additional tier 1 deal. The Australian credit market continues to attract strong foreign demand particularly from Asia. The Australian iTraxx closed at 77.6 bps, 5.3 bps wider than the previous month following strong risk-off sentiment moving into the market.

The S&P/ASX 200 A-REIT Index rose in October, returning +1.67% for the month while the broader S&P/ASX 200 returned +1.38%. The S&P/ASX 300 Custom Infrastructure and Utilities Index returned +5.59%.

With the cash rate sitting at 4.85% after the fifth interest rate hike this year, the yield on the Cash sleeve has become more attractive. However, we see more compelling opportunities 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

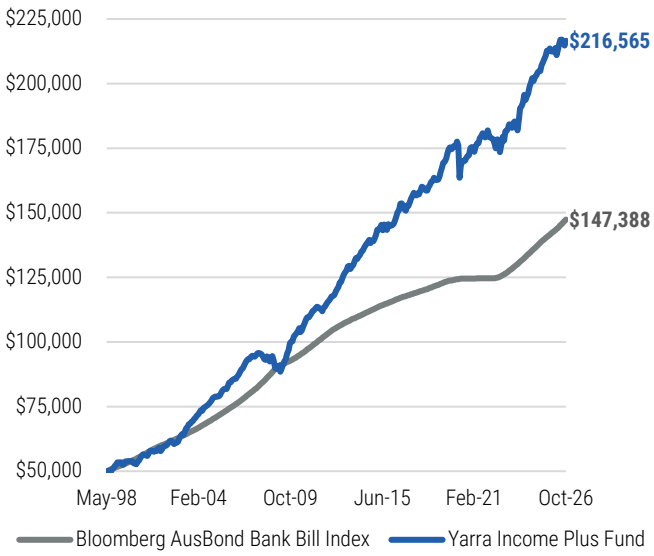
Source: Yarra Capital Management. Portfolio holdings may not be representative of current or future investments. The securities discussed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not 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$49.1mn as at 31 October 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 October 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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