

Yarra Income Plus Fund

Gross returns as at 30 September 2024

| | 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 | 0.90 | 3.19 | 10.83 | 4.57 | 3.66 | 4.57 | 6.20 |
| Bloomberg AusBond Bank Bill Index | 0.36 | 1.11 | 4.41 | 2.81 | 1.80 | 1.90 | 3.85 |
| Excess return [‡] | 0.55 | 2.08 | 6.42 | 1.75 | 1.85 | 2.67 | 2.34 |

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 2024

| | 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 | 0.85 | 3.02 | 10.08 | 3.86 | 2.96 | 3.86 | 5.44 |
| Growth return [†] | -0.14 | 2.01 | 5.83 | 0.69 | 0.10 | 0.50 | 0.72 |
| Distribution return [†] | 0.99 | 1.01 | 4.25 | 3.17 | 2.85 | 3.36 | 4.72 |
| Bloomberg AusBond Bank Bill Index | 0.36 | 1.11 | 4.41 | 2.81 | 1.80 | 1.90 | 3.85 |
| Excess return [‡] | 0.49 | 1.90 | 5.67 | 1.05 | 1.15 | 1.96 | 1.59 |

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 3.02% (net basis) over the quarter, outperforming its benchmark by 190 bps. On a 12-month view the Fund returned 10.08% (net basis), outperforming the Bloomberg AusBond Bank Bill Index by 567 bps.

Overall positive performance was driven by long duration assets as the Fixed Income, REIT and Infrastructure sleeves contributed substantially to performance. Both the Diversified Credit and Hybrid sleeves performed well, as the sleeves continued to benefit from strong running yields.

During the quarter we decreased our allocation to the REIT and Infrastructure sleeves and decreased our Diversified Credit overweight. We marginally increased our overweight to the Fixed Income sleeve as we look to benefit from rate cuts and the market moving ahead of the any official RBA move. We also increased our cash position, as the high cash rate allows us to wait and seek better opportunities across other sleeves.

Market review

During the quarter there was notable movements from Central Banks, with interest rates lowered across most major developed economies. The People's Bank of China (PBoC) also released a major stimulus package of rate cuts along with the relaxing of deposit requirements for second home buyers. Both the Reserve Bank of New Zealand (RBNZ) and Bank of England (BoE) cut rates during the quarter while the Bank of Japan (BoJ) moved interest rates from negative territory to 0.25% as Japan's inflation neared 2%. The Federal Open Market Committee (FOMC) also began its rate cutting cycle with a 50 bps cut in the fed funds rate.

Domestically, the Reserve Bank of Australia (RBA) has continued to hold rates at 4.35% during the quarter, with inflation remaining above the target band. While progress is being made to bring inflation back to target, we are lagging other major economies. RBA governor Michelle Bullock and the board have remained adamant that there will be no rate cuts this calendar year, with the beginning of the easing cycle likely moving into 2025.

While inflation readings as measured by Consumer Price Index (CPI) have not yet moved enough for the RBA to consider rate cuts, (albeit the latest monthly read came in at 2.7% (y/y)) weakness is showing in other parts of the economy, with real GDP remaining at near recessionary levels.

We continued to observe strong issuance during the quarter as corporate debt issuance appears to be on pace for a record-breaking year. There were a few key events in the Australian corporate credit market during the quarter. Both reporting season and APRA's announcement regarding Tier 1 bank hybrids were significant. The bulk of reporting from investment grade corporates met expectations, with companies maintaining strong balance sheets and earnings. Supportive of current valuations, the quality of Australian investment grade debt remains attractive to local and international investors.

In September APRA released its proposed changes to the Additional Tier 1 bank capital. In short, APRA is proposing to phase out AT1 Bank hybrids by 2032, with any Tier 1 debt after 2027 to be included as Tier 2 capital. It remains to be seen how the banks will react to the proposed changes, and what impact there will be on Tier 2 ratings.

This quarter has also seen the continued issuance of RMBS/ABS deals at a record pace. RMBS and ABS have remained a cheap funding source for ADIs, and we expect the market to close out a record year strongly. Private debt while attracting some media attention has also continued to perform well and quality names continue to provide attractive risk adjusted returns.

Sector review

Listed Property, Infrastructure and Utilities

The S&P/ASX 200 A-REIT index rose during the quarter, returning 14.47% for the period while the broader S&P/ASX 200 returned 7.79%. The S&P/ASX 300 Custom Infrastructure and Utilities Index returned 2.86%.

Hybrids

During the quarter, strong demand in primary and secondary markets saw spreads continuing to tighten, with Tier 2 being the primary benefactor. APRA released its proposed changes to the Additional Tier 1 bank capital. In short, APRA is proposing to phase out AT1 Bank hybrids by 2032, with any Tier 1 debt after 2027 to be included as Tier 2 capital. It remains to be seen how the banks will react to the proposed changes, and what impact there will be on Tier 2 ratings.

Diversified Credit

There was strong issuance in the corporate credit market with broad based spread tightening continuing. High demand for quality credit in the higher for longer rate environment has given issuers confidence that deals will continue to be well funded. The Australian iTraxx index moved to 63 bps.

Fixed Income

With expectations of interest rate cuts being priced in more aggressively, the front of the yield curve has rallied over the

past quarter. This has led to strong price performance on long duration bonds.

Cash

The RBA has continued to hold the cash rate at 4.35%. The sleeve continues to offer reasonable returns, making it attractive while we look for new opportunities.

Asset allocation

| | Target %* | Neutral position %§ | Strategy |
|-------------------------------------|-----------|---------------------|-------------|
| A-REITs, Infrastructure & Utilities | 13.0 | 15.0 | Underweight |
| Hybrid and FRNs | 13.5 | 15.0 | Underweight |
| Diversified Credit† | 15.0 | 10.0 | Overweight |
| Fixed interest | 23.0 | 20.0 | Overweight |
| Cash | 35.5 | 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.

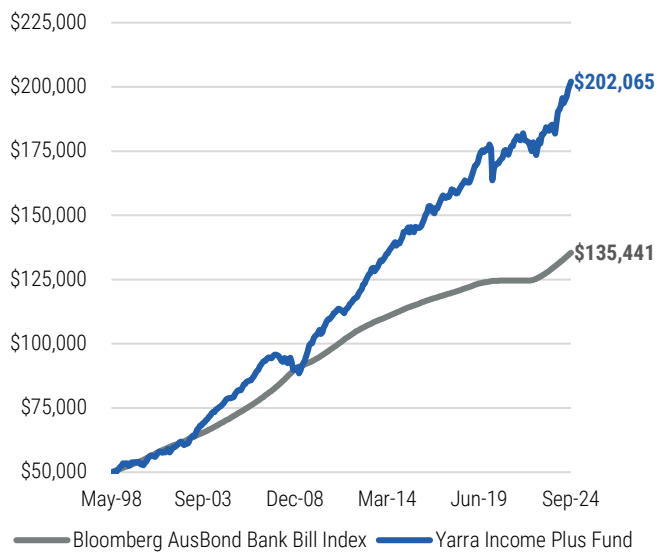
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$68.3 mn as at 30 September 2024 | |
| APIR code | JBW0016AU | |
| Estimated management cost | 0.68% p.a. | |
| Buy/sell spread | +/- 0.10% | |
| Distribution frequency | Quarterly | |
| Platform availability | Asgard BT Panorama 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 2024.



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

Disclaimers

Yarra Funds Management Limited (ABN 63 005 885 567, AFSL 230 251) ('YFM') is the issuer and responsible entity of a range of registered managed investment schemes, which includes those named in this document ('Funds'). 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 target market determination ('TMD') for the relevant Fund by contacting our Investor Services team on 1800 034 494 or from our website at www.yarracm.com/pdsupdates/. The information set out has been prepared in good faith and while Yarra Funds Management Limited 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, 2024.