

Yarra Enhanced Income Fund

Gross returns as at 28 February 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception [^] % p.a.
Yarra Enhanced Income Fund	0.75	2.39	9.44	7.04	5.51	5.78	6.30
Yarra Enhanced Income Fund (incl. franking)	0.75	2.41	9.57	7.19	5.59	6.09	6.88
RBA Cash Rate [#]	0.32	1.05	4.34	3.39	2.08	1.81	3.30
Excess return [‡]	0.43	1.36	5.23	3.80	3.51	4.27	3.58

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. Returns inclusive of franking credits are calculated by attributing a cash value to each franking credit, and assuming that amount is re-invested, along with all other distributions. Figures including franking credits should not be relied upon as an exact indication of performance or be compared to returns of other managed funds which do not include amounts for franking credits. The level of franking of distributions may vary.

Net returns as at 28 February 2025

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception [^] % p.a.
Yarra Enhanced Income Fund	0.71	2.25	8.84	6.46	4.91	5.07	5.52
Yarra Enhanced Income Fund (incl. franking)	0.71	2.27	8.97	6.60	4.99	5.37	6.10
Growth return [†]	0.21	0.82	3.19	1.25	0.48	0.87	0.14
Distribution return [†]	0.50	1.45	5.79	5.36	4.52	4.51	5.96
RBA Cash Rate [#]	0.32	1.05	4.34	3.39	2.08	1.81	3.30
Excess return [‡]	0.39	1.22	4.63	3.22	2.91	3.56	2.80

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[^] Inception date Yarra Enhanced Income Fund: June 2003.

[†] Growth returns are measured by the movement in the Yarra Enhanced Income 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. Returns inclusive of franking credits are calculated by attributing a cash value to each franking credit, and assuming that amount is re-invested, along with all other distributions. Figures including franking credits should not be relied upon as an exact indication of performance or be compared to returns of other managed funds which do not include amounts for franking credits. The level of franking of distributions may vary.

[#] The RBA Cash Rate is being used for comparative purposes only. The underlying assets of the Fund are of a higher risk profile than cash assets. When comparing performance of the Fund against the RBA Cash Rate, investors should take this into account.

[‡] The excess return figures shown represent the difference between the Fund's return including franking and the RBA Cash Rate.

Portfolio review

The Yarra Enhanced Income Fund returned 0.71% (net basis, including franking) over the month, outperforming its benchmark by 39bps. On a 12-month view the Fund returned 8.97% (net basis, including franking), outperforming the RBA Cash Rate by 463bps.

During the month the Fund continued to benefit from its high running yields. Carry has continued to be a strong contributor to performance as our exposure to floating rate securities benefits from the RBA's 'higher-for-longer' mantra. Our running yields have also continued to provide meaningful downside protection alongside our duration position as we navigate volatile markets. The Fund's allocation to Tier 2 debt has

continued to perform well, with spreads grinding tighter. However, we are remaining vigilant to any adverse spread movements stemming from the US.

During the month we took part in the Ausnet Subordinated Debt primary deal alongside the Liberty Financial Senior deal. We also increased our Tier 2 exposure, taking part in several primary deals.

Market review

Global markets saw a turbulent February, as major economies continued to attempt to negotiate with the US over tariffs. While some nations have been successful in delaying the imposition of tariffs, it appears tariffs will be applied against

Canada, Mexico and China as promised. Consumer confidence in the US continued to slide, with the latest survey coming in at 98.3 (prev. 105.3) and inflation expectations rising off the back of tariff policies. The latest unemployment figures in the US fell to 4%, although the impact of actions from the Department of Government Efficiency (DOGE) is yet to be observed in the data.

The US 10-year yield fell 32bps to 4.24%. Further to adding to global uncertainty, the US halted aid to Ukraine and announced plans to cut military support to NATO, which has seen both Europe and the United Kingdom presented with a large defence funding task. During the month both the Reserve Bank of New Zealand (RBNZ) and the Bank of England (BoE) cut interest rates.

Domestically, we saw the much-awaited first rate cut from the Reserve Bank of Australia (RBA), falling by 25bps to 4.1%. While many believe this to be the start of a rate cutting cycle, Governor Bullock made no guarantees as to any further rate cuts. CPI has continued to trend into the target 2-3% band on a headline measure (2.4% y/y), and is sitting slightly above on a trimmed mean measure at 3.2% (y/y). With unemployment remaining low at 4.2% (y/y) the RBA is likely to remain cautious in its approach. The 3-year yield fell 10bps to 3.74% and the 10-year yield fell 13bps to 4.32%, with the curve flattening.

February saw a strong reporting season in Australia. Investment grade companies continued to report strong balance sheets and robust earnings. Despite a record month for new issuance – February is typically a quieter month due to reporting season – and oversubscribed bookbuilds, secondary markets were well supported, with credit spreads grinding in. The Australian iTraxx closed 1bp tighter at 65bps.

Outlook

While the first RBA rate cut came during February, Governor Bullock's rhetoric suggests that further rate cuts should not be considered a given as the local central bank continues to focus on its dual mandate. We expect that while employment remains strong Australia will be slower to lower rates, in the absence of a recession. We look to the next quarterly CPI read and employment print to guide the RBA's next decision.

With Australian corporates delivering another strong reporting season and confirming broadly robust balance sheets we expect credit to continue to perform well. While conditions are favourable, issuance should remain at its current pace. We are looking to the US for any potential risk off triggers given the volatile nature of economic policies that are introduced by the Trump administration.

Portfolio profile

Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	6.23
Option Adjusted Spread	171
Average weighted issue credit rating	BBB+
Average weighted ESG Rating*	BBB+
Estimated yield to maturity (%)	5.61
Fund duration (yrs)	1.32
Spread duration (yrs)	3.59
Number of securities	179
Listed	32
Unlisted	147

* Please note that the ESG ratings are YCM internal ratings.

Sector allocation

	Portfolio %
Asset Backed	-
Banks	46.61
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Finance	8.49
Energy	5.81
Health Care	1.07
Industrials	11.01
Information Technology	0.20
Insurance	14.36
Materials	0.13
Mortgage Backed	-
Real Estate	4.01
Utilities	3.07
Cash & Other	5.23

Top 10 holdings

Issuer	ISIN	Portfolio %
ANZ Banking	AU3FN0091583	2.48
Challenger Life	AU3CB0292324	1.85
Macquarie Bank	AU3FN0085171	1.81
Insurance Australia Group	AU3FN0082640	1.57
BNP Paribas	AU3FN0090353	1.56
Origin Energy	AU3CB0313625	1.56
Westpac Banking	AU3FN0095626	1.45
Ampol Limited	AU3FN0057683	1.42
BNP Paribas	AU3FN0094280	1.40
National Australia Bank	AU3FN0055224	1.36

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.

Maturity profile

	Portfolio %
Perpetual/Callable	9.05
Callable	72.76
At Maturity	12.96

Security profile

	Portfolio %
Floating rate	57.62
Fixed rate	37.15
Cash & Other	5.23

Credit rating profile

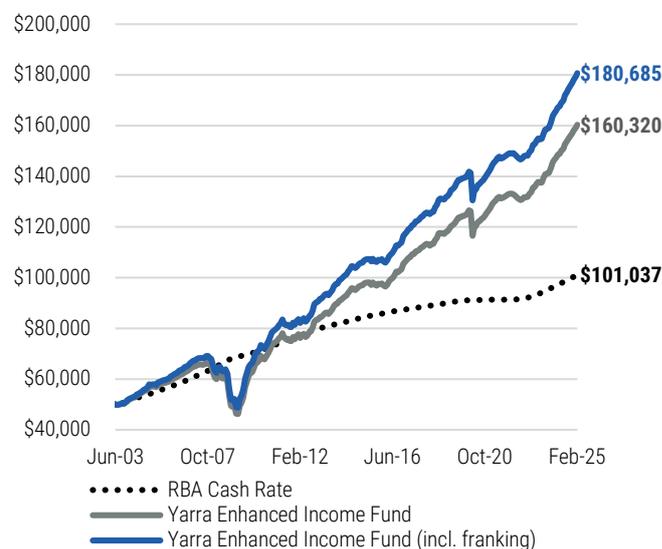
	Portfolio %
A+	0.25
A	0.73
A-	18.65
BBB+	18.33
BBB	38.71
BBB-	9.40
BB+	2.54
BB	3.80
BB-	1.09
B+	0.80
B	0.47
B-	-
Not rated or below	-
Cash and Derivatives	5.23

Features

Investment objective	To earn higher returns than traditional cash management and fixed income investments (over the medium-to-long term) by investing in a diversified portfolio of fixed income and hybrid (debt/equity) securities.	
Recommended investment time frame	3 – 5+ years	
Fund inception	June 2003	
Fund size	Pooled Fund A\$ 2,085.8 mn as at 28 February 2025	
APIR code	JBW0018AU	
Estimated management cost	0.55% p.a.	
Buy/sell spread	+/- 0.10%	
Platform availability	AMP North Asgard BT Panorama CFS First Choice Hub24 IOOF Wrap Macquarie Wrap Mason Stevens	MLC Wrap MLC Navigator Netwealth Praemium Powerwrap uXchange (DASH) Xplore Wealth

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Enhanced Income Fund, June 2003 to February 2025.



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 RBA Cash Rate is for comparative purposes only. Note that the minimum initial investment amount for the Yarra Enhanced Income Fund is \$10,000.

Applications and contacts

Investment into the Yarra Enhanced Income Fund can be made by Australian resident investors only.

Website www.yarracm.com

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Disclaimers

The Yarra Enhanced Income Fund is substantially invested in the Yarra Enhanced Income Pooled Fund ("Pooled Fund"). References in this document to the underlying assets or investments of the Fund generally relate to the assets held in the Pooled Fund.

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