

Yarra Enhanced Income Fund

Gross returns as at 31 March 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	0.08	1.54	8.63	7.19	7.19	5.75	6.28
Yarra Enhanced Income Fund (incl. franking)	0.09	1.56	8.74	7.34	7.28	6.05	6.86
RBA Cash Rate [#]	0.34	1.03	4.32	3.50	2.15	1.83	3.30
Excess return [‡]	-0.26	0.53	4.42	3.84	5.13	4.22	3.56

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 31 March 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	0.03	1.40	8.03	6.60	6.59	5.04	5.50
Yarra Enhanced Income Fund (incl. franking)	0.04	1.42	8.15	6.75	6.67	5.34	6.07
Growth return [†]	-0.65	-0.25	2.16	1.24	2.09	0.88	0.11
Distribution return [†]	0.69	1.67	5.99	5.51	4.58	4.46	5.97
RBA Cash Rate [#]	0.34	1.03	4.32	3.50	2.15	1.83	3.30
Excess return [‡]	-0.30	0.39	3.83	3.25	4.53	3.51	2.77

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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 1.42% (net basis, including franking) over the quarter, outperforming its benchmark by 39 bps. On a 12-month view the Fund returned 8.15% (net basis, including franking), outperforming the RBA Cash Rate by 383 bps.

Positive performance during the quarter was driven primarily by strong running yields, as the Fund continues to benefit from elevated base rates. While spreads moved wider late in the quarter, resulting in some negative price performance, this was offset by our duration position. Our ability to reduce risk through our activity in futures markets alongside strong running yields gives us confidence in the Fund's ability to

withstand periods of heightened volatility.

During the quarter we were active in both the primary and secondary markets. We increased our allocation to Tier 2 securities, alongside taking part in select corporate Subordinated Debt deals. We remain vigilant against adverse market conditions and continue to actively manage our duration positions to our advantage.

Market review

The first quarter of 2025 saw volatility spike as the new Trump Administration took office. Tariffs imposed on allies and adversaries alike saw risk markets cool sharply; the 25% tariffs on all imported cars into the US, alongside escalating tariffs

against Mexico, Canada and China have driven a spike in inflation expectations as indicated by the University of Michigan Inflation Expectations survey, with consumer confidence sliding.

The impact of the newly formed Department of Government Efficiency (D.O.G.E) is yet to be seen, with the unemployment figure rising over the quarter to 4.2% (y/y). As economists begin to price in the chance of a US recession it seems as if the Federal Open Market Committee (FOMC) is unable to address the concerns of ordinary US citizens, with the Fed Funds rate target remaining at 4.25%. The US 10-year yield fell during the quarter to 4.2%.

Across other developed nations, talks of reciprocal tariffs and attempts to obtain exemptions dominated news headlines. Notably, the Eurozone has begun to plan for sizeable investments into defence programs, supporting an initial increase in long dated Bund yields. Elsewhere, the Bank of Canada continued to ease rates with their target rate sitting at 2.75%. The European Central Bank (ECB) also continued its cutting cycle, while the Bank of Japan lifted rates during the quarter to 0.5%.

Domestically, the quarter saw the first rate cut from the Reserve Bank of Australia (RBA) for the first time since November 2020. After moving the cash rate to 4.1%, Governor Bullock highlighted that the RBA remains uncertain about the global economic outlook and the impacts of proposed tariffs. Nevertheless, the latest quarterly read has seen headline inflation move into the band at 2.4% (y/y) and trimmed mean inflation move close to the target 2-3% range at 3.2% (y/y). Employment remains strong in Australia with the unemployment rate sitting at 4.1% (y/y). During the quarter the yield curve steepened, with the 3-year yield moving to 3.69% and the 10-year yield selling off to 4.42%.

Issuance during the quarter remained strong, with February being an unusually busy month. The large amount of Tier 2 issuance continued from both domestic and offshore issuers as demand for AUD credit remains strong. There was also an uptick in Hybrid issuance, with favourable market conditions continuing to give issuers confidence that deals would be well bid.

Corporate earnings updates during the quarter continued to reaffirm the strength of Australian companies, including those that are investment grade. Spreads initially tightened, before economic volatility saw them widen marginally, particularly towards the end of March. The iTraxx moved wider to 88 bps.

Outlook

Global factors will continue to play a dominant role in the domestic market. That said, domestic data continues to show progress on Australian inflation, providing scope for the RBA to ease rates further. How fast and far rate cuts go will likely depend on any unemployment weakness and the residual inflationary impact of any new policies from President Trump.

As we look to the potential impact of tariffs, we remain wary of likely deteriorating credit conditions. Domestic credit has

remained favourable with investment grade companies maintaining strong balance sheets. While any further rate cuts from the RBA should ease financial conditions, global instability in risk markets may see a contraction in overall demand for credit.

Portfolio profile

Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	6.12
Option Adjusted Spread	192
Average weighted issue credit rating	BBB+
Average weighted ESG Rating*	BBB+
Estimated yield to maturity (%)	5.58
Fund duration (yrs)	1.29
Spread duration (yrs)	3.40
Number of securities	180
Listed	33
Unlisted	147

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

Sector allocation

	Portfolio %
Asset Backed	-
Banks	46.62
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Finance	8.46
Energy	5.52
Health Care	1.03
Industrials	9.41
Information Technology	0.20
Insurance	13.76
Materials	0.13
Mortgage Backed	-
Real Estate	4.39
Utilities	3.09
Cash & Other	7.40

Top 10 holdings

Issuer	ISIN	Portfolio %
ANZ Banking	AU3FN0091583	2.41
Macquarie Bank	AU3FN0085171	1.75
Challenger Life	AU3CB0292324	1.73
BNP Paribas	AU3FN0094280	1.72
BNP Paribas	AU3FN0090353	1.51
Insurance Australia Group	AU3FN0082640	1.49
Origin Energy	AU3CB0313625	1.47
Westpac Banking	AU3FN0095626	1.40
HSBC Holdings	AU3FN0096483	1.39
Ampol Limited	AU3FN0057683	1.35

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	8.78
Callable	71.73
At Maturity	12.08

Security profile

	Portfolio %
Floating rate	57.54
Fixed rate	35.05
Cash & Other	7.40

Credit rating profile

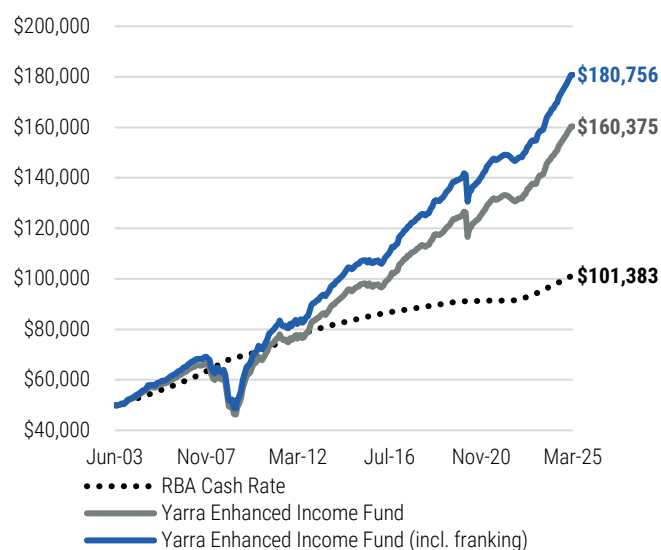
	Portfolio %
A+	0.24
A	0.43
A-	17.11
BBB+	17.36
BBB	38.51
BBB-	9.98
BB+	2.84
BB	3.84
BB-	1.04
B+	0.79
B	0.46
B-	-
Not rated or below	-
Cash and Derivatives	7.40

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\$ 2,154.0 mn as at 31 March 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 March 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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