YARRA
CAPITAL MANAGEMENT

**Investment Commentary**
Month to 31 August 2018

# Yarra Enhanced Income Fund

## Total returns as at 31 August 2018

| | 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 | 1.62 | 3.61 | 6.19 | 6.52 | 6.06 | 6.76 | 5.79 |
| Yarra Enhanced Income Fund (incl. franking) | 1.62 | 3.79 | 6.86 | 7.13 | 6.58 | 7.42 | 6.54 |
| RBA Cash Rate | 0.12 | 0.37 | 1.50 | 1.63 | 1.93 | 2.94 | 3.91 |
| Excess return† | 1.50 | 3.42 | 5.36 | 5.50 | 4.65 | 4.48 | 2.63 |

**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. 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.
^ Inception date Yarra Enhanced Income Fund: June 2003.
† The excess return figures shown represent the difference between the Fund's return including franking and the RBA Cash Rate.

## Growth return and distribution returns

| | 1 month % | 3 months % | 1 year % | 3 years % p.a. | 5 years % p.a. | 10 years % p.a. | Since inception % p.a. |
|---|---|---|---|---|---|---|---|
| Growth return | 1.62 | 2.66 | 2.51 | 2.38 | 1.57 | 1.43 | -0.09 |
| Distribution return | 0.00 | 0.95 | 3.68 | 4.14 | 4.49 | 5.33 | 5.88 |
| Distribution return (incl. franking) | 0.00 | 1.13 | 4.35 | 4.75 | 5.01 | 5.99 | 6.63 |

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.

## Portfolio profile

### Portfolio characteristics

| | Portfolio |
|---|---|
| Running yield (including franking credits) (%) | 5.12 |
| Option Adjusted Spread | 2.64 |
| Average weighted issue credit rating | BBB- |
| Estimated yield to maturity (%) | 4.93 |
| Fund duration (years) | -0.58 |
| Spread duration (years) | 6.91 |
| Number of securities | 45 |
| Listed | 34 |
| Unlisted | 11 |

### Sector allocation

| | Portfolio % |
|---|---|
| Banks | 41.76 |
| Consumer Discretionary | 10.18 |
| Diversified Financials | 11.23 |
| Industrials | 12.30 |
| Information Technology | 1.63 |
| Insurance | 9.98 |
| Materials | 3.79 |
| Real Estate | 4.42 |
| Utilities | 1.20 |
| Cash and Equivalents | 3.52 |

### Maturity profile

| | Portfolio % |
|---|---|
| Perpetual/Callable | 63.31 |
| Callable | 18.57 |
| At Maturity | 14.60 |
| Cash and Equivalents | 3.52 |

### Security profile

| | Portfolio % |
|---|---|
| Floating rate | 93.54 |
| Fixed rate | 6.46 |

### Top 10 holdings

| Issuer | ISIN | Portfolio % |
|---|---|---|
| National Australia Bank | AU0000NABHA7 | 8.55 |
| Macquarie Bank | AU0000MBLHB4 | 6.70 |
| Commonwealth Bank of Australia | AU0000CBAPD7 | 6.23 |
| Crown Resorts | AU0000CWNHB7 | 6.20 |
| Suncorp-Metway | AU0000SBKHB3 | 5.27 |
| Tatts Group | AU0000TTSHA8 | 3.99 |
| Westpac Banking | AU0000WBCPG4 | 3.77 |
| Qube Holdings | AU0000QUBHA8 | 3.45 |
| ANZ Banking | AU0000ANZPF8 | 3.30 |
| CNH Industrial | AU3FN0043907 | 3.20 |

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.

### Credit rating profile

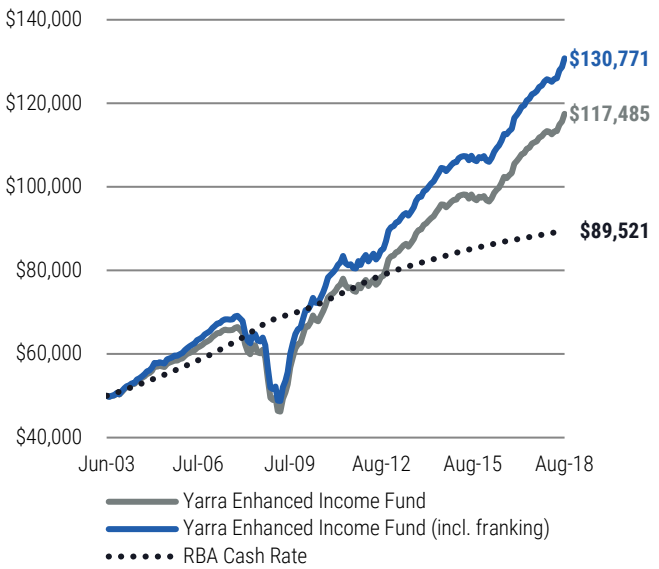
| | Portfolio % |
|---|---|
| A | 3.20 |
| BBB+ | 9.82 |
| BBB | 12.38 |
| BBB- | 17.27 |
| BB+ | 38.85 |
| BB | 7.65 |
| BB- | 2.35 |
| B+ | 3.29 |
| B- | 1.67 |
| Cash and Equivalents | 3.52 |

## 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$62.65 mn as at 31 August 2018 |
| APIR code | JBW0018AU |
| Estimated management cost | 0.78% p.a. |
| Buy/sell spread | +/- 0.10% |
| Platform availability | Asgard<br>BT Wrap<br>BT Panorama<br>Colonial FirstWrap<br>Macquarie Wrap<br>Consolidator<br>SimpleWrap<br>PowerWrap<br>SmartWrap<br>Hub24<br>uXchange |

## Investment performance comparison of $50,000

After fees, since inception of the Yarra Enhanced Income Fund, June 2003 to August 2018.




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.

## Applications and contacts

Investment into the Yarra Enhanced Income 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**

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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