

Yarra Income Plus Fund

Gross returns as at 28 February 2019

	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	1.02	3.09	6.37	5.47	5.13	7.36	6.76
Growth return [†]	1.02	2.25	3.70	1.36	1.02	2.63	1.53
Distribution return [‡]	0.00	0.84	2.67	4.11	4.11	4.73	5.23
Bloomberg AusBond Bank Bill Index	0.17	0.51	1.99	1.91	2.14	3.03	4.42
Excess return [‡]	0.85	2.59	4.38	3.56	3.00	4.33	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 28 February 2019

	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	0.97	2.92	5.65	4.75	4.42	6.59	6.00
Growth return [†]	0.97	2.09	2.98	0.64	0.31	1.86	0.77
Distribution return [‡]	0.00	0.84	2.67	4.11	4.11	4.73	5.23
Bloomberg AusBond Bank Bill Index	0.17	0.51	1.99	1.91	2.14	3.03	4.42
Excess return [‡]	0.79	2.42	3.66	2.85	2.29	3.55	1.58

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 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 units 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 distributions 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 0.97% in February, outperforming the Bloomberg AusBond Bank Bill Index by 79 bps on a net basis. All asset classes supported the monthly return, however the Funds' exposure to Real Assets (listed property, infrastructure and utilities) was the key driver. On a 12-month view, the Fund has returned 5.65%, outperforming the Bloomberg AusBond Bank Bill Index by 366 bps on a net basis.

Over the month, we moved from an overweight to neutral position in Real Assets, as we felt it was a good time to take some of the profits (driven by the fall in long term interest rates), and reduce our underweight position in fixed income, (investing in the shorter end of the yield curve). We continue to maintain an overweight position in hybrids, and slightly underweight position in cash.

Market review

Performance of global sovereign bond yields was mixed over the month of February. US 10-year Treasury yields closed 9 bps higher at 2.72%, following the release of delayed economic data that showed that retail sales, wholesale trade and housing starts were very weak. It was suggested that data collection had been affected by the government shutdown, which increased the volatility of the reported numbers. While the Federal Reserve (FOMC) did not meet in the month, published January meeting minutes suggested that the balance sheet unwind would end by the second half of 2019. A 6% rise in oil prices also contributed to expectations of higher inflation and put upward pressure on bond yields.

Equity markets globally, including in the US and Europe, ended the month positively. This was despite further moderation in activity data in Europe and continued uncertainty around the UK's Brexit process.

In Australia, the S&P/ASX 200 Accumulation index returned 5.98% over the month, with all sectors except consumer staples delivering positive returns. The market cap weighted index of Australian listed property, infrastructure and utilities rose 3.19% in February, underperforming the wider S&P/ASX 300 Index despite REITs and infrastructure and utilities stocks generating positive returns. At a subsector level, performance in REITs correlated with earnings revisions: Industrials and Office REITs outperformed while Retail REITs and Diversified REITs underperformed. Infrastructure and utilities stocks were also supported by earnings upgrades.

The Australian yield curve flattened, with spreads between short and long-term rates narrowing 2 bps: the 3-year government bond yield closed 12 bps lower at 1.63% and the 10-year bond yield 14 bps lower at 2.10%.

Australian investment grade credit spreads ended the month tighter. Spreads for both corporates and financials tightened, following positive news from the US-China trade negotiations and Australian February reporting season, during which companies delivered results that were better than feared. Hybrid securities delivered mixed returns over the month. Basel II Tier 1 & Tier 2 credit spreads tightened, while Basel III Tier 1 securities widened following primary issuance from National Australia Bank and Macquarie Group and Banco Santander's decision not to call its EU1.5bn perpetual contingent-convertible notes on the first optional call date. It is worth noting that the prevalence of mandatory conversion dates in Australia for Basel III Tier 1 securities limits the likelihood of any hybrid remaining on issue in perpetuity. The Markit iTraxx Australia index finished the month 7 bps lower at 69 bps.

The Reserve Bank of Australia (RBA) unexpectedly shifted from a tightening bias to neutral; growth and inflation forecasts were downgraded as the RBA cited increased risks around the strength of household consumption and the housing market. There were large misses in monthly data: building approvals fell by 8.1% and retail sales by 0.4%. Quarterly retail sales volumes rose by only 0.1% and construction activity fell by 3.1%, suggesting a weaker Q4 GDP outcome. Annual wage growth was broadly in line with expectations at 2.3%. In contrast, monthly employment grew strongly at 39k.

Asset allocation

	Portfolio %	Neutral position % [§]	Strategy
Property, Infrastructure & Utilities	15.2	15.0	Neutral
Hybrid and FRNs	20.3	15.0	Overweight
Diversified Credit [†]	10.4	10.0	Neutral
Fixed interest	15.2	20.0	Underweight
Cash	39.0	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.

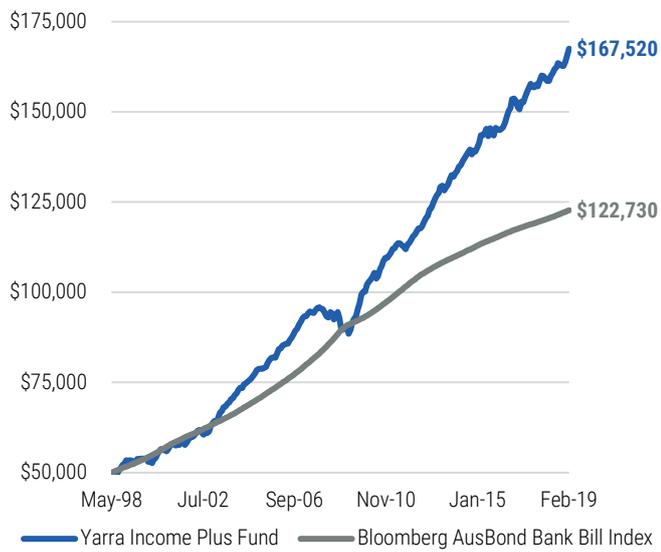
[†] Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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	Pooled Fund A\$94.05 mn as at 28 February 2019	
APIR code	JBW0016AU	
Estimated management cost	0.68% p.a.	
Buy/sell spread	+/- 0.10%	
Distribution frequency	Quarterly	
Platform availability	Asgard BT Wrap BT Panorama Colonial FirstWrap Hub24 Macquarie Wrap Consolidator MLC Wrap	Netwealth Oasis OnePath PortfolioOne PowerWrap SmartWrap Wealthrac

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Income Plus Fund, May 1998 to February 2019.



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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Disclaimers

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

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