

Yarra Income Plus Fund

Gross returns as at 31 August 2022

	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	-0.67	0.33	-1.33	1.04	3.07	4.63	6.11
Bloomberg AusBond Bank Bill Index	0.15	0.33	0.37	0.36	0.95	1.70	3.85
Excess return [‡]	-0.83	0.00	-1.70	0.68	2.12	2.93	2.26

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 31 August 2022

	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	-0.73	0.16	-2.00	0.36	2.37	3.93	5.35
Growth return [†]	-0.73	-1.08	-3.83	-1.92	-0.04	0.47	0.55
Distribution return [‡]	0.00	1.24	1.83	2.28	2.41	3.45	4.80
Bloomberg AusBond Bank Bill Index	0.15	0.33	0.37	0.36	0.95	1.70	3.85
Excess return [‡]	-0.89	-0.17	-2.37	0.00	1.42	2.23	1.50

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* 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 -0.73% (net basis) in August, underperforming the Bloomberg AusBond Bank Bill Index by 89 bps.

No changes were made to the Fund's target asset allocation during the month. We remain comfortable in our overweight to Fixed Income following the significant sell-off in duration, and remain underweight Cash given the better relative return in sleeves such as Diversified Credit. Our neutral position in Real Assets and Hybrids was unchanged.

Market review

It was a tale of two halves in August. The first half saw the continuation of July's momentum, the second a flight to safety. The catalyst for such a swing was Fed Chair, Jerome Powell's, speech at the Jackson Hole conference. Many pinned this as a possible pivot point for the Fed, instead hawkishness was reiterated and the central bank's commitment to ensuring inflation is subdued was reinforced.

Economic data were relatively mixed over the period. The US ISM beat expectations of a fall to 53.5, printing at 55.3. UK GDP also modestly beat consensus, albeit still detracting -0.1% (q/q). However, PMI surveys across most advanced economies were negative and inflation measures across the UK and Europe continued to move higher.

Sovereign yields were higher over the period. Bond markets pre-empted hawkishness from central banks, selling-off prior to the Jackson Hole event. Yield curves continue to price further aggressive rate hikes from central banks preceding cuts later in the next year.

The domestic equity market benefitted from bullish sentiment during the first half of August. However, the back half of the month was much weaker after the Fed conceded that economic pain will be felt in the fight against inflation (in case that wasn't obvious!). The market cap weighted index of Australian listed property, infrastructure and utilities returned -3.00%, underperforming the broader market.

Positive sentiment pushed corporate credit and hybrid spreads modestly lower over the period. Supporting corporate spreads

was a relatively strong August reporting season. Balance sheets remain well capitalised, and earnings continue to be strong. Although this will inevitably ease, the starting point is very attractive and has capacity to absorb weaker conditions. New issuance was again relatively subdued, though we expect this to pick up in the back end of the year. The Australian iTraxx index moved lower over the month closing at ~108.

The Reserve Bank of Australia (RBA) continue to move rapidly towards normalising monetary conditions, raising the cash rate another 50 bps to 1.85%. The latest move takes the cash rate to the highest level since 2016. It seems likely the RBA will push through multiple more hikes into year-end before pausing over the holiday break.

As rates continue to rise, economic growth will inevitably slow. Domestically, the starting point was sufficient to absorb a series of rate hikes. We continue to see tight labour markets and strong corporate liquidity which will likely subdue the impact of tighter fiscal conditions. The August reporting season consolidated our confidence in corporate balance sheets.

Across the available sleeves, we see a number of attractive opportunities, and continue to adjust positioning in order to attain the best possible risk-adjusted returns.

Asset allocation

	Target %*	Neutral position % [§]	Strategy
A-REITs, Infrastructure & Utilities	15.0	15.0	Neutral
Hybrid and FRNs	15.0	15.0	Neutral
Diversified Credit [†]	15.5	10.0	Overweight
Fixed interest	27.0	20.0	Overweight
Cash	27.5	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.

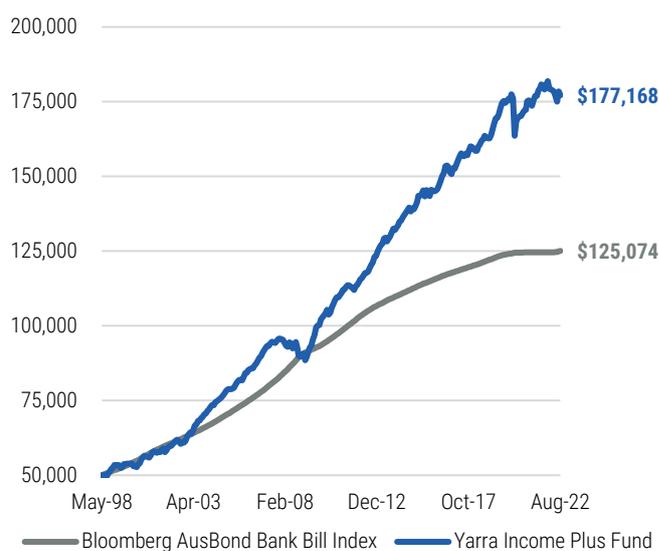
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$80.9 mn as at 31 August 2022	
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 Wealthtrac

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Income Plus Fund, May 1998 to August 2022.



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

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