

Yarra Income Plus Fund

Gross returns as at 30 September 2023

	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	-0.91	0.54	6.51	2.88	3.09	4.11	6.02
Bloomberg AusBond Bank Bill Index	0.34	1.08	3.56	1.36	1.28	1.73	3.83
Excess return [‡]	-1.25	-0.54	2.95	1.52	1.81	2.38	2.19

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 30 September 2023

	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	0.37	5.80	2.19	2.39	3.41	5.26
Growth return [†]	-1.72	-0.38	2.43	-0.55	-0.15	0.06	0.52
Distribution return [†]	0.75	0.76	3.37	2.74	2.54	3.35	4.74
Bloomberg AusBond Bank Bill Index	0.34	1.08	3.56	1.36	1.28	1.73	3.83
Excess return [‡]	-1.31	-0.71	2.23	0.83	1.11	1.67	1.43

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[^] Note: Due to a Melbourne public holiday, Fund performance in September 2023 was calculated up to 28 September 2023, whereas Benchmark performance is shown to 29 September 2023. Fund performance for 29 September 2023 will be captured in October 2023 month-end performance. Further information relating to Unit Pricing calculations can be found in the Fund PDS.

* 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 0.37% (net basis) over the September quarter, underperforming the Bloomberg AusBond Bank Bill Index by 71 bps.

Diversified Credit and Hybrid sleeves contributed meaningfully to performance. Strong carry, particularly in the credit sleeve underpinned strong quarterly performance. Some tightening of spreads over the quarter helped provide modest price return.

The Fixed Income sleeve was weaker over the period but positive, nonetheless. Carry again proved to be a significant contributor to performance during the quarter but movement in the yield curve did have a negative impact on price performance.

Performance in the Real Assets sleeve was negative, reflecting a shift in sentiment that has caused a sell-off in the REIT sector. This was the only sleeve detracting from performance.

During the quarter, weights were adjusted as we looked to reduce our position in bonds. With spreads are still attractive in hybrids, we elected to reduce our underweight position and decrease our underweight cash position as we sought other opportunities. We also selectively increased our position in REITs.

Market review

In a quarter that saw plenty of volatility in global financial markets, bond and fixed income markets still traded positively. This quarter saw the "Higher for Longer" mantra from key central banks take shape.

Economic conditions during the quarter saw plenty of key events take place. Most notably, the USA had its Fitch Credit rating downgraded from AAA to AA+. However, unlike when S&P downgraded in 2011, investors were quick to ignore this.

Persistent inflation figures that appear to be holding in most advanced economies have been substantially linked to increased costs in petrol prices. Supply side control measures

saw the price of Brent Crude reach close to US\$100/barrel during the quarter. With this being the case, most central banks are keeping in place the possibility for further rate hikes.

In the United States a funding deal was reached, however, it is only a temporary measure until November. With inflation creeping up again – and predicted to increase further – along with strong jobs numbers, sentiment around the Federal Reserve increasing rates appears to be high.

Closer to home, the Reserve Bank of Australia held interest rates at 4.1% through the quarter. The decision to hold has been based on the resilience of the domestic economy. While the August print for inflation did see a slight upward tick, steady employment data has kept rates flat.

Sector review

Listed Property, Infrastructure and Utilities

Equity markets were lower over the period. Volatile US markets have been held up by AI stocks, which led the market to appear stronger. Softening consumer sentiment around spending during the quarter has meant a slight sell-off. Preparation for a risk-off event has seen a slight sell off in markets, although they are remaining intact. We expect real assets to be more protected due to their long duration nature, however we expect some volatility to persist in the near term.

Hybrids

The hybrids market saw some tightening of spreads and remains relatively attractive. Given Tier 1 spreads are still trading well, we have made the decision to reduce our underweight position.

Diversified Credit

Corporate credit and hybrid spread generally moved tighter in the period. Coupled with higher bond yields, outright returns appeared very attractive by the end of the period. While issuance did slow towards the back end of the month, more deals are expected as refinancing pressures continue. The Australian iTraxx index moved marginally wider to 87 bps.

Fixed Income

During the quarter we saw slightly higher movements in yield, however as we move into the “Higher for Longer” period we have made the decision to decrease our overweight position.

Cash

The RBA held rates through the quarter at 4.10% but are not ruling out another potential hike. The sleeve is now offering reasonable returns, making it sustainable to hold while we look for investment new opportunities.

Asset allocation

	Target %*	Neutral position %§	Strategy
A-REITs, Infrastructure & Utilities	16.5	15.0	Overweight
Hybrid and FRNs	13.5	15.0	Underweight
Diversified Credit†	16.0	10.0	Overweight
Fixed interest	22.5	20.0	Overweight
Cash	31.5	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.

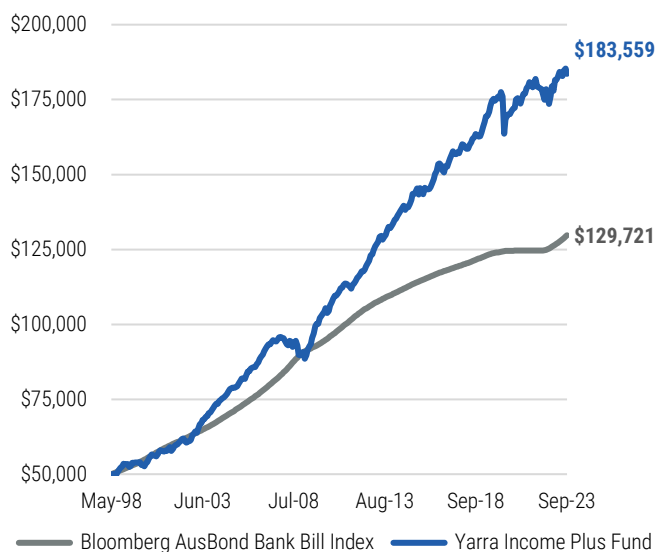
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$78.2 mn as at 30 September 2023	
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 September 2023.



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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