

Yarra Income Plus Fund

Gross returns as at 31 March 2024

	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	1.55	2.87	7.85	4.36	3.62	4.47	6.17
Bloomberg AusBond Bank Bill Index	0.37	1.09	4.19	2.07	1.51	1.82	3.84
Excess return [‡]	1.18	1.79	3.66	2.29	2.11	2.65	2.33

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 March 2024

	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	1.49	2.70	7.12	3.66	2.92	3.76	5.42
Growth return [†]	0.67	1.86	3.36	0.77	0.28	0.41	0.69
Distribution return [†]	0.83	0.83	3.76	2.89	2.64	3.35	4.73
Bloomberg AusBond Bank Bill Index	0.37	1.09	4.19	2.07	1.51	1.82	3.84
Excess return [‡]	1.13	1.61	2.93	1.59	1.41	1.94	1.58

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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 2.70% (net basis) over the quarter, outperforming the Bloomberg AusBond Bank Bill Index by 1.61 bps. The return was largely driven by the Fund's overweight position to Real Assets (A-REITs, Infrastructure & Utilities), followed by our overweight position in Fixed Income. There were no changes to the Fund's Tactical Asset Allocation positions over the quarter.

The quarter saw a continued rally in the Property and Infrastructure sector driven by REITs. We remain overweight this sector, as we continue to see appeal in its long duration nature, earnings resilience, and attractive yields.

Carry again proved to be a significant factor in the Fixed Income sleeve. However, a broader tightening of spreads across the market also saw substantial positive price movement. We maintained our overweight position as we expect the fixed income sleeve to perform well in a rate cutting cycle.

We retained our overweight position in Diversified Credit and

underweight position in Hybrids. Both positions performed well, however strong carry, particularly in the credit sleeve, should offer substantial downside protection in the current rate environment.

Market review

The first quarter of 2024 has seen a strong start for fixed income. While most developed markets are still signalling that there will be rate cuts, none have come thus far except for the Swiss National Bank. Traders have tempered their expectations on the number of interest rate cuts that the US Fed and the RBA will make in 2024.

The US 10 year yield sold off during the quarter moving wider to 4.2%. With inflation sitting at 0.4% (m/m) for March, Fed Chair Jerome Powell signalled to investors that the strict annual 2% inflation target may become more flexible.

In other markets the Bank of Japan moved interest rates from negative territory for the first time in 8 years. This was off the back of agreed wage rises of 5% from some of the largest employers in the country.

Domestically, the Reserve Bank of Australia (RBA) has continued to hold rates steady at 4.35%. The March meeting did see the RBA move towards a more neutral tone, but no indication has been given on when we are likely to see any interest rates cuts.

The GDP print of 0.2% (q/q) continues to show the slowdown of the Australian economy. Private domestic demand growth remained weak which has been reflected in household consumption, while the public and business sector both contributed to growth. The Australian 10-year yield moved 1bp wider to 3.97% over the quarter.

Sector review

Listed Property, Infrastructure and Utilities

The S&P/ASX 200 Property Accumulation index had a very strong quarter up +16.75%, well ahead of the +5.33% return from the broader S&P/ASX 200. Australian Infrastructure and Utilities index rose +0.26% during March, lagging the wider S&P/ASX 200.

Hybrids

The listed hybrid market saw a tightening of spreads over the quarter leading to positive price performance. With strong demand in the market, we expect to see a continuation of issuance in the hybrid market. Carry was also a significant contributor to positive performance for the month.

Diversified Credit

Corporate credit and hybrid spread generally moved tighter. Coupled with higher bond yields, outright returns appeared very attractive by period end. Issuance was extremely strong and both primary and secondary markets traded well. The Australian iTraxx index tightened 5 bps to 64.76 bps.

Fixed Income

During the quarter yields tightened and fixed income assets performed well. With delayed rate cutting expected, we would anticipate any further tightening in yields to slow.

Cash

The RBA has continued to hold the cash rate at 4.35%. A slight change in sentiment was indicated at the March meeting where a more neutral tone was taken. The sleeve continues to offer reasonable returns, making it sustainable to hold while we look for 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.

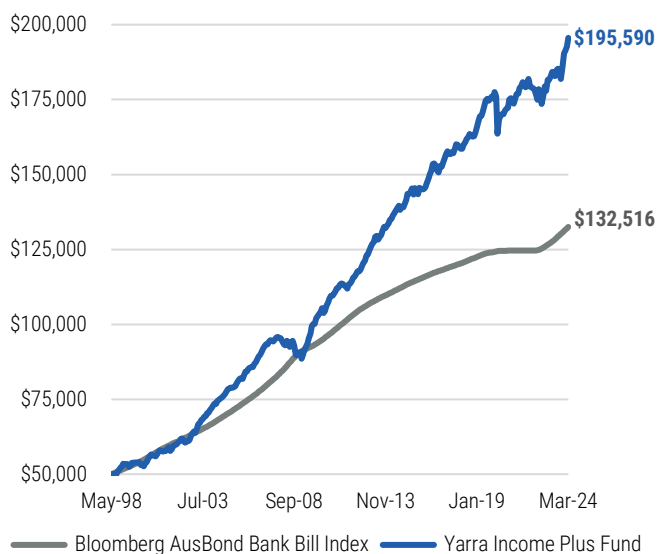
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$74.7 mn as at 31 March 2024	
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 March 2024.



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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