

# Yarra Income Plus Fund

## Gross returns as at 30 June 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	0.65	0.46	7.99	3.84	3.25	4.29	6.13
Bloomberg AusBond Bank Bill Index	0.35	1.08	4.37	2.44	1.64	1.86	3.85
Excess return <sup>‡</sup>	0.30	-0.63	3.62	1.40	1.61	2.43	2.28

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 June 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	0.59	0.29	7.26	3.14	2.55	3.59	5.38
Growth return <sup>†</sup>	-0.55	-0.85	3.35	0.24	-0.19	0.27	0.65
Distribution return <sup>‡</sup>	1.14	1.13	3.91	2.90	2.74	3.31	4.73
Bloomberg AusBond Bank Bill Index	0.35	1.08	4.37	2.44	1.64	1.86	3.85
Excess return <sup>‡</sup>	0.24	-0.80	2.88	0.70	0.91	1.73	1.53

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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 0.29% (net basis) over the quarter, underperforming its benchmark by 80 bps. On a 12-month view the Fund has returned 7.26% (net basis), outperforming the Bloomberg AusBond Bank Bill Index by 288 bps.

The most significant contribution to the overall positive return on the portfolio was through the Diversified Credit and Hybrid Sleeves. The benefit of higher running yields and the RBA's "higher for longer" outlook has meant the sleeves have seen strong overall return. The Fixed Income and REIT sleeves detracted from the overall performance during the month as a selloff in longer duration assets occurred at the start of the quarter.

We also slightly adjusted the Tactical Allocation on the portfolio moving the overweight in the Diversified Credit sleeve to 17% and dropping the weight on the REIT and Infrastructure sleeve to 16% and well as decreasing the Cash position to 31%.

### Market review

During the quarter the Swiss Central bank cut interest rates for the second time this year. France and the UK continued to see

some volatility in their sovereign treasuries as political uncertainty was a focus during the quarter. Central banks have erred on the side of caution when discussing the easing of rates. While the European Central Bank and Bank of Canada have cut rates, rhetoric from those institutions has been consistent, suggesting that the inflation battle will not be a linear one.

The US Fed has continued to keep rates on hold until they can see a sustained decrease in inflation. However, with unemployment increasing to 4% and weakness showing within their housing and manufacturing sectors there are some signs of a weakening economy. In the latest read, monthly Core PCE grew 0.1% m/m and Core CPI grew 0.2% m/m. US 10-Year yield widened 17 bps over the quarter to 4.37%.

Domestically, the Reserve Bank of Australia (RBA) kept rates on hold during the quarter. With Michelle Bullock maintaining

that the RBA will consider all options as it also seeks to see a sustainable reduction in CPI. With the May monthly CPI indicator coming in at 4% markets have continued to increase the probability of another rate hike and further push an easing cycle out into 2025.

While monthly CPI indicators may continue to show the ongoing battle with inflation, like most developed economies, weakness is showing in other areas. During the quarter the seasonally adjusted unemployment rate moved above 4% for both April and May while GDP also continued to slow. The Australian 10-year Yield widened 34 bps over the quarter to 4.31%. The Australian 3-year Yield widened 47 bps over the quarter to 4.09% with the curve flattening.

## Sector review

### Listed Property, Infrastructure and Utilities

The S&P/ASX 200 Property Accumulation Index fell by -5.63% during the quarter, underperforming the broader S&P/ASX 200, which returned -1.05%. Conversely, the Australian Infrastructure and Utilities Index performed well, returning +1.85% over the same period.

### Hybrids

Hybrids continued to see spread tightening across the board. Demand for Tier 1 and Tier 2 securities remains high and in the absence of any regulatory changes to Tier 1 securities from APRA will continue to trade well. Notable Tier 1 issuance came from Nab and Suncorp and we expect to continue to see strong issuance.

### Diversified Credit

There was strong issuance in the corporate credit market with broad based spread tightening continuing. High demand for quality credit in the higher for longer rate environment has given issuers confidence that deals will continue to be well funded. The Australian iTraxx index widened 6 bps to 70 bps.

### Fixed Income

During the quarter yields widened with carry providing downside protection on the sleeve. With the market continuing to react to data releases and moderate rate expectations we expect to continue to see some volatility in the sleeve.

### Cash

The RBA has continued to hold the cash rate at 4.35%. A slight change in sentiment came from the June meeting where a more hawkish 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	16.0	15.0	Overweight
Hybrid and FRNs	13.5	15.0	Underweight
Diversified Credit†	17.0	10.0	Overweight
Fixed interest	22.5	20.0	Overweight
Cash	31.0	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.

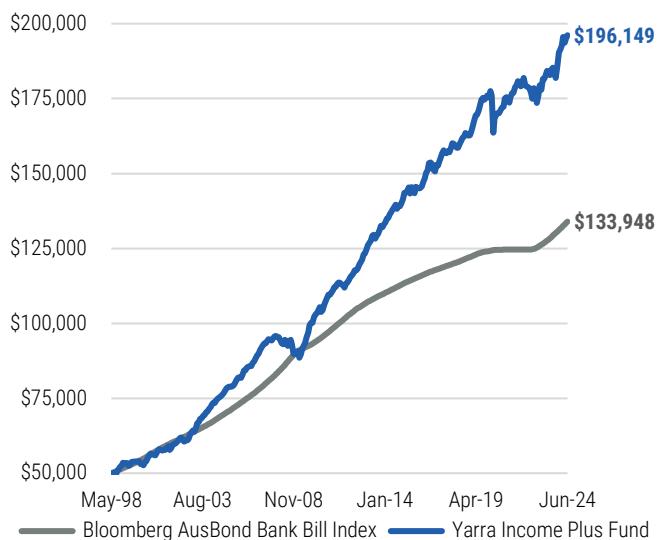
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

## 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	A\$68.2 mn as at 30 June 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 June 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.

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## Applications and contacts

Investment into the Yarra Income Plus Fund can be made by Australian resident investors only.

**Website** [www.yarracm.com](http://www.yarracm.com)

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