

# Yarra Income Plus Fund

## Gross returns as at 31 July 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	1.50	2.94	8.40	4.18	3.34	4.37	6.17
Bloomberg AusBond Bank Bill Index	0.37	1.10	4.37	2.56	1.69	1.87	3.85
Excess return <sup>‡</sup>	1.12	1.84	4.03	1.62	1.65	2.50	2.32

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 July 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	1.44	2.76	7.67	3.48	2.64	3.67	5.42
Growth return <sup>†</sup>	1.44	1.60	3.75	0.57	-0.10	0.35	0.70
Distribution return <sup>‡</sup>	0.00	1.16	3.92	2.91	2.74	3.32	4.71
Bloomberg AusBond Bank Bill Index	0.37	1.10	4.37	2.56	1.69	1.87	3.85
Excess return <sup>‡</sup>	1.07	1.66	3.30	0.92	0.95	1.79	1.57

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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 1.44% (net basis) over the month, underperforming its benchmark by 107 bps. On a 12-month view the Fund has returned 7.67% (net basis), outperforming the Bloomberg AusBond Bank Bill Index by 330 bps.

The portfolio had an overall positive return for the month with each sleeve trading positively. The REIT/Infrastructure and Fixed Income sleeves were beneficiaries of the market reacting to the lower-than-expected CPI data late in the month with strong price return. The diversified credit and hybrid sleeves also contributed meaningfully as they continue to benefit from higher rates. No changes were made to the tactical allocation of the portfolio.

### Market review

A busy month in markets has seen geopolitics again take centre stage, with Joe Biden dropping out of the US Presidential race and Republican candidate Donald Trump surviving an assassination attempt. Tensions in the Middle

East escalated further, increasing fears of a larger conflict and pushing oil prices higher. The Bank of Japan lifted its short-term policy rate to 0.25% as inflation nears its 2% target. The Federal Open Market Committee (FOMC) kept rates on hold, with Chair Powell highlighting the dual mandate of the FOMC and emphasising a cooling labour market. Given this, US bonds rallied towards the end of the month, with the US 10-year yield tightening 22 bps to 4.15%.

With no Reserve Bank of Australia (RBA) meeting in July, interest rates remained at 4.35%. Domestic quarterly CPI came in at 1.0% (q/q), with trimmed mean inflation coming in lower than expected at 0.8%. This was a critical data point for the RBA, given that monthly numbers had the market pricing a small chance of an August rate hike. Retail sales were slightly higher than expected at 0.5% (m/m) as retailers continued strong discounting. Unemployment data for June was in line with consensus at 4.1%, confirming continuing weakness in the economy. Off the back of weaker data, Australian Government bonds rallied, with the yield curve steepening. The Australian 10-year yield rallied 20 bps to 4.11% and the 3-year yield rallied 32 bps to 3.76%.

Corporate credit and hybrid spreads tightened marginally during July. Slow new issuance has led to increased activity in secondary markets, although those deals that launched during the month continued to see high levels of oversubscription, with issuance spreads compressing. While corporate balance sheets have remained strong, reporting season should provide insight into the impact of weaker economic data on corporate Australia. The Australian iTraxx tightened 5 bps to 65 bps.

The S&P/ASX 200 A-REIT index rose in July, returning 6.83% for the period while the broader S&P/ASX 200 returned 4.19% for the month. The S&P/ASX 300 Custom Infrastructure and Utilities Index returned 1.36%.

Higher rates have fostered an environment where we are seeing very attractive running yield across the sleeves at our disposal, with income continuing to provide significant downside protection should we see underperformance in other parts of the market.

## Asset allocation

	Target %*	Neutral position % <sup>§</sup>	Strategy
A-REITs, Infrastructure & Utilities	16.0	15.0	Overweight
Hybrid and FRNs	13.5	15.0	Underweight
Diversified Credit <sup>†</sup>	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.

<sup>§</sup> 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.

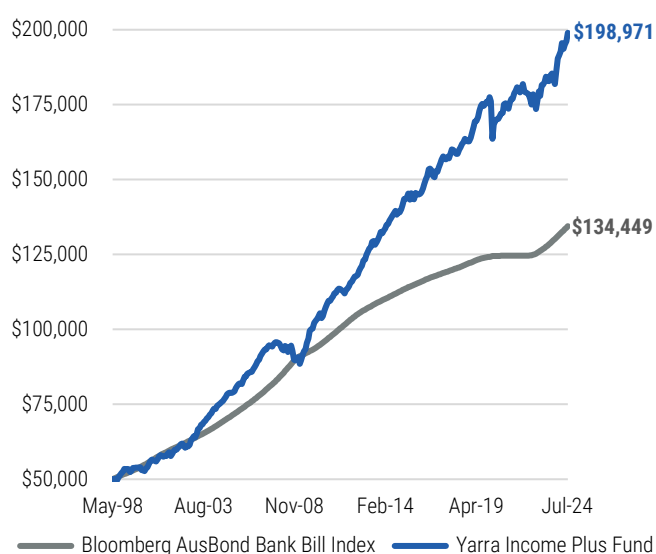
<sup>†</sup> Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

## 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\$68.3 mn as at 31 July 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 July 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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