

# Yarra Income Plus Fund

## Gross returns as at 31 March 2025

	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	0.07	0.92	5.42	5.34	5.30	4.32	6.14
Bloomberg AusBond Bank Bill Index	0.35	1.07	4.46	3.55	2.15	1.99	3.86
Excess return <sup>‡</sup>	-0.28	-0.15	0.96	1.79	3.15	2.33	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 31 March 2025

	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	0.01	0.76	4.70	4.63	4.59	3.62	5.39
Growth return <sup>†</sup>	-1.21	-0.47	0.72	0.98	1.57	0.23	0.69
Distribution return <sup>‡</sup>	1.22	1.23	3.98	3.65	3.02	3.39	4.70
Bloomberg AusBond Bank Bill Index	0.35	1.07	4.46	3.55	2.15	1.99	3.86
Excess return <sup>‡</sup>	-0.34	-0.32	0.25	1.08	2.44	1.63	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 0.76% (net basis) over the quarter, underperforming its benchmark by 32 bps. On a 12-month view the Fund returned 4.70% (net basis), outperforming the Bloomberg AusBond Bank Bill Index by 25 bps.

Positive performance for the quarter was mostly driven by the Cash and Fixed Income sleeves. The Fixed Income sleeve benefitted from a late rally in bonds while also providing meaningful income returns. The Hybrid and Diversified Credit sleeves also contributed to performance as strong running yields continued to provide a meaningful source of return. The REIT and Infrastructure sleeve was the only detractor for the quarter as a broader sell off in equities impacted the sleeve.

We adjusted our tactical allocation during the quarter in response to adverse market conditions. We increased our allocation to cash raising it to 42% as strong yields make the sleeve an attractive proposition in the face of volatile markets. We also decreased our Diversified Credit weighting to 13% and

reduced our allocation to the REIT and Infrastructure sleeve to 9.5%.

### Market review

The first quarter of 2025 saw volatility spike as the new Trump Administration took office. Tariffs imposed on allies and adversaries alike saw risk markets cool sharply; the 25% tariffs on all imported cars into the US, alongside escalating tariffs against Mexico, Canada and China have driven a spike in inflation expectations as indicated by the University of Michigan Inflation Expectations survey, with consumer confidence sliding.

The impact of the newly formed Department of Government Efficiency (D.O.G.E) is yet to be seen, with the unemployment figure rising over the quarter to 4.2% (y/y). As economists begin to price in the chance of a US recession it seems as if the Federal Open Market Committee (FOMC) is unable to address the concerns of ordinary US citizens, with the Fed Funds rate target remaining at 4.25%. The US 10-year yield fell during the quarter to 4.2%.

Across other developed nations, talks of reciprocal tariffs and attempts to obtain exemptions dominated news headlines. Notably, the Eurozone has begun to plan for sizeable investments into defence programs, supporting an initial increase in long dated Bund yields. Elsewhere, the Bank of Canada continued to ease rates with their target rate sitting at 2.75%. The European Central Bank (ECB) also continued its cutting cycle, while the Bank of Japan lifted rates during the quarter to 0.5%.

Domestically, the quarter saw the first rate cut from the Reserve Bank of Australia (RBA) for the first time since November 2020. After moving the cash rate to 4.1%, Governor Bullock highlighted that the RBA remains uncertain about the global economic outlook and the impacts of proposed tariffs. Nevertheless, the latest quarterly read has seen headline inflation move into the band at 2.4% (y/y) and trimmed mean inflation move close to the target 2-3% range at 3.2% (y/y). Employment remains strong in Australia with the unemployment rate sitting at 4.1% (y/y). During the quarter the yield curve steepened, with the 3-year yield moving to 3.69% and the 10-year yield selling off to 4.42%.

Issuance during the quarter remained strong, with February being an unusually busy month. The large amount of Tier 2 issuance continued from both domestic and offshore issuers as demand for AUD credit remains strong. There was also an uptick in Hybrid issuance, with favourable market conditions continuing to give issuers confidence that deals would be well bid.

Corporate earnings updates during the quarter continued to reaffirm the strength of Australian companies, including those that are investment grade. Spreads initially tightened, before economic volatility saw them widen marginally, particularly towards the end of March. The iTraxx moved wider to 88 bps.

## Sector review

### Listed Property, Infrastructure and Utilities

The S&P/ASX 200 A-REIT index declined during the quarter, returning -6.82% for the period while the broader S&P/ASX 200 returned -2.80%. The S&P/ASX 300 Custom Infrastructure and Utilities index rose 0.86%.

### Hybrids

Hybrids performed well during the quarter. With some marginal spread widening, elevated base rates and strong running yields saw income provide a strong cushioning effect amid volatility.

### Diversified Credit

Diversified credit was a solid performer during the quarter. The allocation to illiquids alongside strong running yields allowed the fund some protection from volatile markets.

### Fixed Income

With the RBA beginning its rate cutting cycle, long duration asset performed well. With global uncertainty we expect bonds could continue to rally.

## Cash

With the cash rate sitting at 4.1% after the first interest rate cut, the cash sleeve continues to provide a strong yield. This is beneficial as we examine the market to secure opportunities uncovered by the present volatility.

## Asset allocation

	Target %*	Neutral position %§	Strategy
A-REITs, Infrastructure & Utilities	9.5%	15.0%	Underweight
Hybrid and FRNs	9.5%	15.0%	Underweight
Diversified Credit†	13.0%	10.0%	Overweight
Fixed interest	26.0%	20.0%	Overweight
Cash	42.0%	40.0%	Overweight

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.

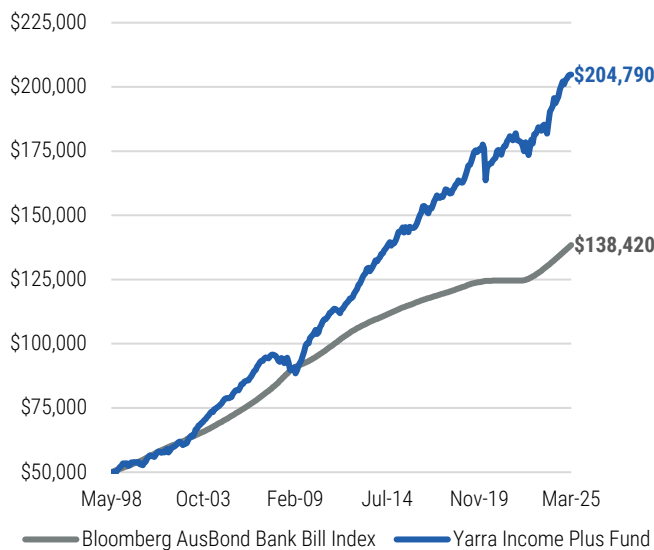
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

## 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\$ 66.4 mn as at 31 March 2025	
APIR code	JBW0016AU	
Estimated management cost	0.68% p.a.	
Buy/sell spread	+/- 0.10%	
Distribution frequency	Quarterly	
Platform availability	Hub24 IOOF Wrap Macquarie Wrap Mason Stevens	MLC Navigator Netwealth Praemium Xplore Wealth

### Investment performance comparison of \$50,000

After fees, since inception of the Yarra Income Plus Fund, May 1998 to March 2025.



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)

**Investor Services Team** 1800 034 494 (Australia) +61 3 9002 1980 (Overseas) [IST@yarracm.com](mailto:IST@yarracm.com)

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