

# Yarra Income Plus Fund

## Gross returns as at 31 May 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	0.77	1.36	7.03	3.99	3.37	4.29	6.12
Bloomberg AusBond Bank Bill Index	0.37	1.10	4.32	2.32	1.59	1.85	3.85
Excess return <sup>‡</sup>	0.40	0.26	2.71	1.67	1.78	2.44	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 May 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	0.71	1.19	6.30	3.28	2.67	3.58	5.37
Growth return <sup>†</sup>	0.71	0.36	2.57	0.41	0.04	0.23	0.67
Distribution return <sup>‡</sup>	0.00	0.82	3.73	2.88	2.63	3.35	4.70
Bloomberg AusBond Bank Bill Index	0.37	1.10	4.32	2.32	1.59	1.85	3.85
Excess return <sup>‡</sup>	0.34	0.09	1.98	0.97	1.08	1.73	1.52

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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 0.71% (net basis) over the month, outperforming its benchmark by 34 bps. On a 12-month view the Fund has returned 6.30% (net basis), outperforming the Bloomberg AusBond Bank Bill Index by 198 bps.

Positive returns during the month were driven mostly by the REIT and Infrastructure sleeve which benefited from a broader sector rally. Carry continued to provide meaningful return across the Hybrid and Fixed Income sleeves. Spread compression and strong demand led to meaningful price performance in the Diversified Credit sleeve.

During the month there was a slight change in target asset allocation with a 50 bps reduction in our REIT and Infrastructure sleeve overweight and a 50 bps reduction in our cash allocation. We increased our allocation to Diversified Credit by 100 bps as it continues to provide meaningful contribution off the back of higher rates.

### Market review

Globally, government bond yields rallied during the month. Most central banks continued their signalling of rate cuts with the European Central Bank (ECB) preparing to cut rates at their June meeting. Japan saw an increase in Core CPI 1.9% (y/y) up from 1.6% (y/y) last month. The US looks poised to keep rates on hold in the near term with the market pricing a 44% chance of a cut by September. Data from the US remained mostly in line with expectations, with CPI coming in at 3.4% (y/y) and PCE Deflator 2.7% (y/y). The US 10-year yield moved 18 bps tighter to 4.50%.

Domestically, the Australian 3-10 yield curve flattened with the 3-year bonds selling off and 10-year bonds rallying. The Reserve Bank of Australia (RBA) held the cash rate at 4.35% with Michelle Bullock remaining neutral, reaffirming on the RBA's goal of bringing down inflation. Headlines on the volatility surrounding data releases were prevalent during the month, with CPI data coming stronger than expected at 3.6% (y/y) (3.4% estimate) and retail sales coming in below expectations at 0.1% (m/m) (0.2% estimate). The Australian

10-year yield closed the month 1 bps tighter at 4.41%.

Corporate credit and hybrid spreads continued to tighten on the month. Demand for primary issuance has remained strong with deals often 2-3 times oversubscribed. Secondary markets have also remained active given the level of demand. During the month several new deals came to market, notably NAB came in with a A\$1.25 billion Tier 2 Deal which followed their NABPK Tier 1 issuance. Given recent tightening in spreads we have also seen a more diversified pool of issuers with Flinders Ports, ETSA, Registry Titles (Queensland) and Ausnet all coming to market with deals. The Australian iTraxx moved 7 bps tighter to 65.78.

Australian Infrastructure and Utilities index rose +1.5% during April, outperforming the wider S&P/ASX 200 which rose by +0.9% over the month. The S&P/ASX 200 Property Accumulation index generated a solid monthly return of +1.9% for the month of May, outperforming the broader S&P/ASX 200 by +0.9%. Driving this return was a largely benign macro backdrop with some modestly supportive company specific news flow.

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

## 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.

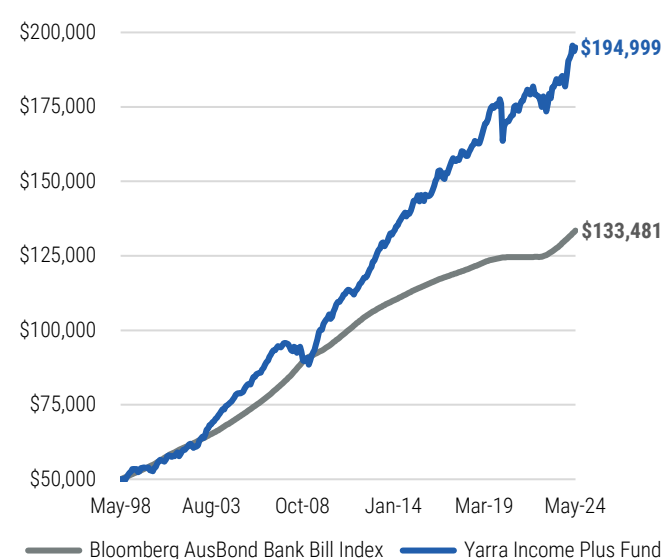
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

## 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\$68.3 mn as at 31 May 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 May 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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