

# Yarra Enhanced Income Fund

## Gross returns as at 31 October 2024

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception <sup>^</sup> % p.a.
Yarra Enhanced Income Fund	0.77	2.26	10.92	6.19	5.23	5.72	6.25
Yarra Enhanced Income Fund (incl. franking)	0.79	2.30	11.07	6.33	5.31	6.04	6.84
RBA Cash Rate <sup>#</sup>	0.36	1.08	4.36	2.92	1.85	1.75	3.28
Excess return <sup>‡</sup>	0.43	1.22	6.71	3.41	3.46	4.28	3.56

**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. Returns inclusive of franking credits are calculated by attributing a cash value to each franking credit, and assuming that amount is re-invested, along with all other distributions. Figures including franking credits should not be relied upon as an exact indication of performance or be compared to returns of other managed funds which do not include amounts for franking credits. The level of franking of distributions may vary.

## Net returns as at 31 October 2024

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception <sup>^</sup> % p.a.
Yarra Enhanced Income Fund	0.73	2.11	10.31	5.61	4.62	5.00	5.47
Yarra Enhanced Income Fund (incl. franking)	0.75	2.16	10.46	5.74	4.70	5.32	6.05
Growth return <sup>†</sup>	0.27	0.87	4.60	0.72	0.42	0.84	0.10
Distribution return <sup>†</sup>	0.48	1.29	5.86	5.02	4.28	4.48	5.96
RBA Cash Rate <sup>#</sup>	0.36	1.08	4.36	2.92	1.85	1.75	3.28
Excess return <sup>‡</sup>	0.38	1.08	6.10	2.82	2.85	3.56	2.77

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<sup>^</sup> Inception date Yarra Enhanced Income Fund: June 2003.

<sup>†</sup> Growth returns are measured by the movement in the Yarra Enhanced Income Fund's unit price, ex-distribution. Distribution return is the proportion of the total return which is paid to unitholders by way of distribution. It does not include distribution amounts deemed as capital distributions. Returns inclusive of franking credits are calculated by attributing a cash value to each franking credit, and assuming that amount is re-invested, along with all other distributions. Figures including franking credits should not be relied upon as an exact indication of performance or be compared to returns of other managed funds which do not include amounts for franking credits. The level of franking of distributions may vary.

<sup>#</sup> The RBA Cash Rate is being used for comparative purposes only. The underlying assets of the Fund are of a higher risk profile than cash assets. When comparing performance of the Fund against the RBA Cash Rate, investors should take this into account.

<sup>‡</sup> The excess return figures shown represent the difference between the Fund's return including franking and the RBA Cash Rate.

## Portfolio review

The Yarra Enhanced Income Fund returned 0.75% (net basis, including franking) over the month, outperforming its benchmark by 38 bps. On a 12-month view the Fund returned 10.46% (net basis, including franking), outperforming the RBA Cash Rate by 610 bps.

During the month positive performance was driven by the continued tightening of spreads. We have observed Tier 1 and Tier 2 bank spreads continue their strong rally. The fund has also continued to benefit from actively adjusting duration positioning throughout the month as rate volatility continues to provide good opportunities to add exposure. With the Reserve Bank of Australia (RBA) continuing to hold rates at

4.35%, the fund is also benefiting from higher running yields.

We were active participants in primary deals during the month taking part in several Tier 2 deals that came to market. With the continued rally in spreads, we still see value in new Tier 2 deals that are coming to market. We also took part in the Blue Owl Senior deal, alongside the Melbourne Airport Senior deal. We continue to actively trade positions, looking for the best risk adjusted returns.

## Market review

The heightened build up to the US election has seen bond markets react to polling data with US yields selling off during

the month. Both the short and long end of the curve sold off with the 2-year yield increasing 60 bps to 4.17% and the 10-year yield increasing to 4.28%. Data in the US during the month has mostly been in line with expectations as the Personal Consumption Expenditures Index (PCE) remained benign at 0.2%. In terms of rate expectations there are still approximately 50 bps of cuts priced in for the remainder of 2024. Globally, the Bank of Japan (BoJ) Governor Ueda, has made hawkish comments in the context of negative real interest rates. The Reserve Bank of New Zealand and the Bank of Canada both cut rates another 50 bps.

Domestically, there was no central bank meeting during October and rates remained on hold during the November meeting at 4.35%. While the quarterly CPI read was promising, core inflation has remained above the RBA's 3% target. However, headline inflation has moved into the target band at 2.8% which has seen the market remain consistent in its pricing of future rate cuts. The Australian 3-Year yield sold off 50 bps to 4.02% and the 10-Year yield sold off 50 bps to 4.50% with the curve remaining at 48 bps.

During the month new deal flow began to slow as corporate issuers were hesitant in the face of market volatility preceding the US election. While issuance slowed late in the month, there was no shortage of demand in early October with a number of Tier 2 deals coming to market. Deals still saw large bookbuilds and were oversubscribed as strong demand for Australian Credit continued. We have seen Major Bank Tier 1 and Tier 2 continue their impressive spread tightening as strong balance sheets and robust capital structures remain in high demand. The Australian ITraxx widened 3 bps to 66 bps.

## Outlook

With the RBA maintaining rates at 4.35% at the beginning of November it appears that rate cuts are most likely to begin in 2025. While headline inflation has moved into the band at 2.8%, the RBA is sighting higher core inflation as an ongoing concern. We expect that the RBA will closely monitor the impact of sales during the Christmas period as well as examining the next quarterly CPI read at the beginning of next year. It also remains to be seen what impact the outcome of the US election will have on rate and inflation expectations.

We expect hybrid securities to continue to trade well, however elevated volatility around the US election may impact corporate credit spreads. We also expect muted new issuance as corporates will remain wary of market volatility. Post election, leading into the Christmas period, we also expect subdued issuance activity.

## Portfolio profile

### Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	6.28
Option Adjusted Spread	172
Average weighted issue credit rating	BBB+
Average weighted ESG Rating*	BBB+
Estimated yield to maturity (%)	5.91
Fund duration (yrs)	1.38
Spread duration (yrs)	3.71
Number of securities	164
Listed	32
Unlisted	132

\* Please note that the ESG ratings are YCM internal ratings.

### Sector allocation

	Portfolio %
Asset Backed	-
Banks	46.59
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Finance	9.26
Energy	4.06
Health Care	1.89
Industrials	10.58
Information Technology	0.23
Insurance	13.79
Materials	0.15
Mortgage Backed	-
Real Estate	4.68
Utilities	3.51
Cash & Other	5.25

## Top 10 holdings

Issuer	ISIN	Portfolio %
ANZ Banking	AU3CB0311561	2.50
ANZ Banking	AU3FN0091583	2.47
Westpac Banking	AU3CB0304376	2.22
BNP Paribas	AU3FN0090353	1.85
Macquarie Bank	AU3FN0085171	1.83
Insurance Australia Group	AU3FN0082640	1.81
Origin Energy	AU3CB0313625	1.76
Westpac Banking	AU3CB0311140	1.57
Lloyds Banking Group	AU3FN0090866	1.49
National Australia Bank	AU3FN0084828	1.44

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.

## Maturity profile

	Portfolio %
Perpetual/Callable	9.19
Callable	71.49
At Maturity	14.07

## Security profile

	Portfolio %
Floating rate	53.97
Fixed rate	40.78
Cash & Other	5.25

## Credit rating profile

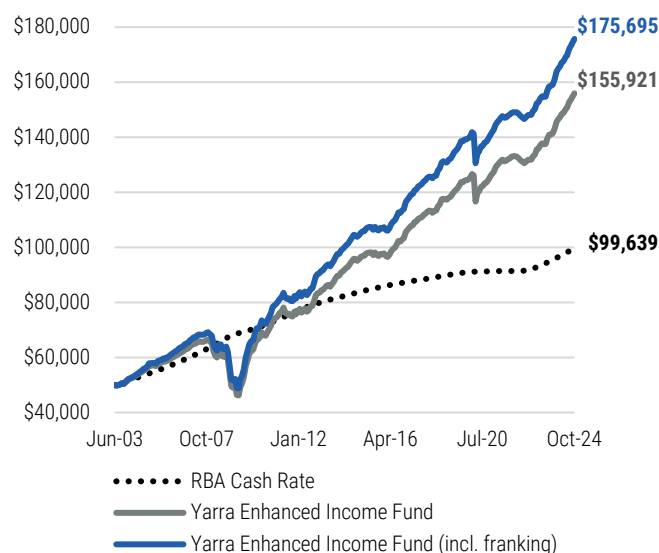
	Portfolio %
A+	0.25
A	1.50
A-	19.55
BBB+	19.19
BBB	33.71
BBB-	13.25
BB+	3.65
BB	1.65
BB-	0.73
B+	0.95
B	0.32
B-	-
Not rated or below	-
Cash and Derivatives	5.25

## Features

Investment objective	To earn higher returns than traditional cash management and fixed income investments (over the medium-to-long term) by investing in a diversified portfolio of fixed income and hybrid (debt/equity) securities.	
Recommended investment time frame	3 – 5+ years	
Fund inception	June 2003	
Fund size	Pooled Fund A\$ 1,785.7 mn as at 31 October 2024	
APIR code	JBW0018AU	
Estimated management cost	0.55% p.a.	
Buy/sell spread	+/- 0.10%	
Platform availability	AMP North Asgard BT Panorama CFS First Choice Hub24 IOOF Wrap Macquarie Wrap Mason Stevens MLC Wrap MLC Navigator	Netwealth Praemium Powerwrap uXchange (DASH) Xplore Wealth

## Investment performance comparison of \$50,000

After fees, since inception of the Yarra Enhanced Income Fund, June 2003 to October 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 RBA Cash Rate is for comparative purposes only. Note that the minimum initial investment amount for the Yarra Enhanced Income Fund is \$10,000.

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## Applications and contacts

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

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

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## Disclaimers

The Yarra Enhanced Income Fund is substantially invested in the Yarra Enhanced Income Pooled Fund ("Pooled Fund"). References in this document to the underlying assets or investments of the Fund generally relate to the assets held in the Pooled Fund.

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