

# Yarra Income Plus 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* % p.a.
Yarra Income Plus Fund	-0.50	1.16	11.24	4.61	3.47	4.43	6.16
Bloomberg AusBond Bank Bill Index	0.37	1.12	4.45	2.94	1.86	1.92	3.86
Excess return <sup>‡</sup>	-0.87	0.05	6.79	1.66	1.60	2.51	2.30

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 October 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	-0.56	0.99	10.49	3.90	2.77	3.73	5.40
Growth return <sup>†</sup>	-0.56	0.00	6.22	0.73	-0.08	0.37	0.70
Distribution return <sup>‡</sup>	0.00	0.99	4.27	3.17	2.85	3.36	4.71
Bloomberg AusBond Bank Bill Index	0.37	1.12	4.45	2.94	1.86	1.92	3.86
Excess return <sup>‡</sup>	-0.93	-0.12	6.04	0.96	0.91	1.81	1.55

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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 -0.56% (net basis) over the month, underperforming its benchmark by 93 bps. On a 12-month view the Fund returned 10.49% (net basis), outperforming the Bloomberg AusBond Bank Bill Index by 604 bps.

The overall negative return during the month was driven by the sell off in longer duration assets. Both the Fixed Income sleeve and the REIT/Infrastructure sleeve detracted from performance. Our exposure to Hybrids and Diversified Credit contributed to return as the sleeves continue to benefit from strong running yields.

At the end of October, we made changes to the Tactical Asset Allocation (TAA) of the fund moving to further underweight the REIT and Infrastructure sleeve. We also moved to further underweight the Hybrid sleeve in favour of increasing the allocation to the Diversified Credit sleeve and Fixed Income sleeve. We also further increased our allocation to cash.

### 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.

The S&P/ASX 200 A-REIT index declined in October, returning -2.51% for the period while the broader S&P/ASX 200 returned -1.31% for the month. The S&P/ASX 300 Custom Infrastructure and Utilities Index returned -4.38%.

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	10.0	15.0	Underweight
Hybrid and FRNs	9.5	15.0	Underweight
Diversified Credit <sup>†</sup>	15.5	10.0	Overweight
Fixed interest	26.0	20.0	Overweight
Cash	39.0	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.

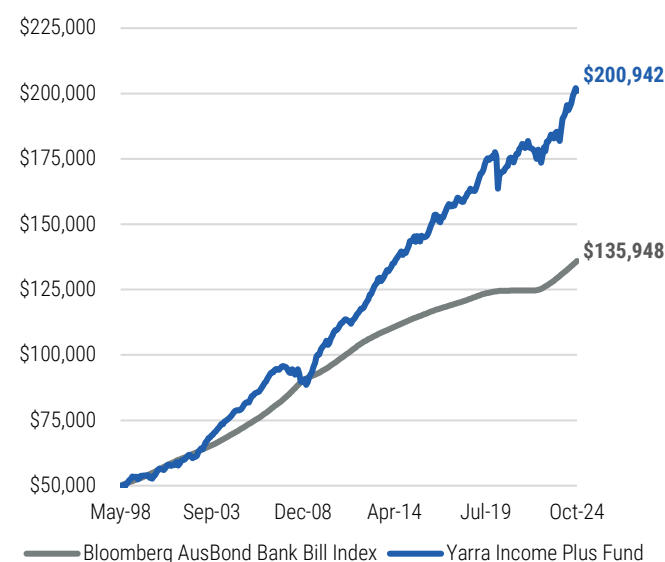
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

## 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\$ 66.6 mn as at 31 October 2024	
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 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 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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