

# Yarra Enhanced Income Fund

## Gross returns as at 30 November 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	0.61	2.11	10.16	6.25	5.30	5.69	6.26
Yarra Enhanced Income Fund (incl. franking)	0.61	2.15	10.30	6.38	5.38	6.01	6.85
RBA Cash Rate <sup>#</sup>	0.35	1.07	4.36	3.04	1.91	1.77	3.29
Excess return <sup>‡</sup>	0.26	1.08	5.94	3.35	3.47	4.24	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 30 November 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	0.56	1.97	9.56	5.67	4.69	4.97	5.48
Yarra Enhanced Income Fund (incl. franking)	0.56	2.01	9.70	5.80	4.77	5.29	6.06
Growth return <sup>†</sup>	0.10	0.66	3.99	0.71	0.39	0.77	0.10
Distribution return <sup>†</sup>	0.46	1.35	5.71	5.09	4.38	4.52	5.96
RBA Cash Rate <sup>#</sup>	0.35	1.07	4.36	3.04	1.91	1.77	3.29
Excess return <sup>‡</sup>	0.21	0.94	5.34	2.77	2.86	3.53	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 0.56% (net basis, including franking) over the month, outperforming its benchmark by 21 bps. On a 12-month view the Fund returned 9.70% (net basis, including franking), outperforming the RBA Cash Rate by 534 bps.

Positive overall performance during the month was driven by the continued tightening of spreads, with Tier 2 and Senior debt being the strongest performers. Active duration management has also seen the Fund receive meaningful uplift from our ability to take advantage of interest rate volatility. The fund continues to benefit from strong yields as the higher for longer cycle continues to keep coupons elevated.

We were active participants in primary deals during the month taking part in the BNP and Barclays Tier 2 deals that came to market. We were also active participants in the CBA and QBE Insurance Tier 2 deals alongside the Aurizon and Port of Melbourne Senior issuance. We continue to actively trade positions, looking for the best risk adjusted returns.

### Market review

November marked a significant month for global markets as the outcome of the US election saw former President Trump re-elected. The immediate reaction of the market given the potential inflationary impact of Trump's proposed policies has been to reduce the number of interest rate cuts priced in for

2025. Despite this, the Federal Open Market Committee (FOMC) did deliver a further 25 bps cut at the beginning of November as the Consumer Price Index (CPI) has remained steady and in line with forecasts. The US 10-Year Yield rallied 11 bps to 4.17%. In other central bank meetings, we saw the Reserve Bank of New Zealand cut rates again by 50 bps and the Bank of England cut rates by 25 bps.

Domestically, the Reserve Bank of Australia (RBA) kept rates on hold at 4.35%. While trimmed mean CPI continues to move towards the band and headline inflation has moved into the 2-3% target band, Governor Bullock and the board are remaining conservative in their forecasts. Employment data in Australia remains strong with the unemployment rate sitting at 4.1% (y/y). The Australian 3-Year yield rallied 11 bps to 3.91% and the 10-Year yield rallied 16 bps to 4.34% with the curve flattening slightly.

During the month deal flow remained strong as issuers accessed a red-hot market. Robust demand has continued to see issuers remain confident that deals will launch successfully. Bookbuilds continue to be well oversubscribed with pricing tightening during the process. Corporate senior paper along with both foreign and domestic Tier 2 debt dominated the primary issuance. The fact that Australia remains a stable market for investment grade credit attracts offshore investors causing further spread tightening as deals trade well on secondary markets. The Australian iTraxx remained flat at 66 bps.

## Outlook

With the RBA maintaining rates at 4.35% at the beginning of November it appears that rates cuts are most likely to move into 2025. We expect the RBA to maintain its cautious approach to forecasting inflation, however, we do foresee that inflation will continue to moderate as the core component continues to track lower. The continuation of energy subsidies in 2025 will also prove critical to determining the timing and magnitude of rate cuts.

We expect hybrid securities to continue to trade well, however heightened volatility prompted by the US election may flow into corporate credit spreads. If rates remain elevated, 2025 may see some corporates move further down the credit spectrum. Nevertheless, the majority of the Australian credit market remains robust with strong balance sheet protection. While corporate issuance has remained steady, we do expect that leading into Christmas there will be a mild drop off in activity.

## Portfolio profile

### Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	6.24
Option Adjusted Spread	174
Average weighted issue credit rating	BBB+
Average weighted ESG Rating*	BBB+
Estimated yield to maturity (%)	5.79
Fund duration (yrs)	1.45
Spread duration (yrs)	3.84
Number of securities	168
Listed	32
Unlisted	136

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

### Sector allocation

	Portfolio %
Asset Backed	-
Banks	46.93
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Finance	8.92
Energy	3.93
Health Care	1.81
Industrials	11.47
Information Technology	0.22
Insurance	13.39
Materials	0.15
Mortgage Backed	-
Real Estate	4.51
Utilities	2.83
Cash & Other	5.84

## Top 10 holdings

Issuer	ISIN	Portfolio %
ANZ Banking	AU3CB0311561	2.81
ANZ Banking	AU3FN0091583	2.38
Westpac Banking	AU3CB0304376	2.09
Commonwealth Bank	AU3CB0315638	1.90
Insurance Australia Group	AU3FN0082640	1.75
BNP Paribas	AU3FN0090353	1.74
Macquarie Bank	AU3FN0085171	1.74
Origin Energy	AU3CB0313625	1.71
Westpac Banking	AU3CB0311140	1.52
Lloyds Banking Group	AU3FN0090866	1.41

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	9.13
Callable	69.37
At Maturity	15.65

## Security profile

	Portfolio %
Floating rate	53.69
Fixed rate	40.47
Cash & Other	5.84

## Credit rating profile

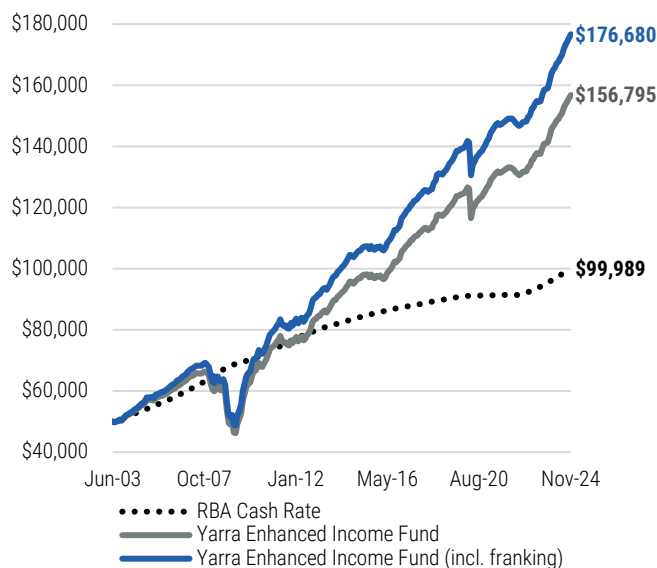
	Portfolio %
A+	0.24
A	1.08
A-	20.87
BBB+	17.82
BBB	33.66
BBB-	14.18
BB+	2.84
BB	1.58
BB-	0.68
B+	0.90
B	0.31
B-	-
Not rated or below	-
Cash and Derivatives	5.84

## 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\$ 1,862.4 mn as at 30 November 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 November 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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