

# Yarra Enhanced Income Fund

## Gross returns as at 31 January 2025

|   | 1 month<br>% | 3 months<br>% | 1 year<br>% | 3 years<br>% p.a. | 5 years<br>% p.a. | 10 years<br>% p.a. | Since<br>inception <sup>A</sup><br>% p.a. |
|---|--------------|---------------|-------------|-------------------|-------------------|--------------------|---|
| Yarra Enhanced Income Fund                  | 0.70         | 2.24          | 9.24        | 6.72              | 5.28              | 5.79               | 6.29                                      |
| Yarra Enhanced Income Fund (incl. franking) | 0.71         | 2.26          | 9.38        | 6.87              | 5.36              | 6.10               | 6.87                                      |
| RBA Cash Rate <sup>#</sup>                  | 0.36         | 1.08          | 4.36        | 3.28              | 2.03              | 1.80               | 3.30                                      |
| Excess return <sup>‡</sup>                  | 0.35         | 1.18          | 5.02        | 3.59              | 3.33              | 4.30               | 3.57                                      |

**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 January 2025

|   | 1 month<br>% | 3 months<br>% | 1 year<br>% | 3 years<br>% p.a. | 5 years<br>% p.a. | 10 years<br>% p.a. | Since<br>inception <sup>A</sup><br>% p.a. |
|---|--------------|---------------|-------------|-------------------|-------------------|--------------------|---|
| Yarra Enhanced Income Fund                  | 0.65         | 2.10          | 8.64        | 6.14              | 4.67              | 5.08               | 5.51                                      |
| Yarra Enhanced Income Fund (incl. franking) | 0.67         | 2.11          | 8.78        | 6.28              | 4.76              | 5.39               | 6.08                                      |
| Growth return <sup>†</sup>                  | 0.20         | 0.71          | 3.16        | 1.03              | 0.36              | 0.93               | 0.13                                      |
| Distribution return <sup>†</sup>            | 0.47         | 1.40          | 5.62        | 5.26              | 4.40              | 4.46               | 5.95                                      |
| RBA Cash Rate <sup>#</sup>                  | 0.36         | 1.08          | 4.36        | 3.28              | 2.03              | 1.80               | 3.30                                      |
| Excess return <sup>‡</sup>                  | 0.30         | 1.04          | 4.42        | 3.00              | 2.73              | 3.59               | 2.79                                      |

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<sup>A</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 0.67% (net basis, including franking) over the month, outperforming its benchmark by 30bps. On a 12-month view the Fund returned 8.78% (net basis, including franking), outperforming the RBA Cash Rate by 442bps.

The Fund continued to benefit from its high running yield in January. Carry has continued to contribute meaningfully to performance, as well as provide strong downside protection against any widening of spreads. Bank Tier 1 and Tier 2 spreads moved marginally wider during the month, with our yield curve positioning contributing positively to returns in the month.

We were active participants in primary markets during the month, taking part in several Tier 2 deals in both the fixed and floating tranches of ANZ and Credit Agricole deals.

### Market review

The inauguration of President Trump dominated global headlines in January, with a significant number of US policy changes announced. Most notably, the new US administration announced a 10% tariff on China and 25% tariffs on Mexico and Canada. The impact of these policies is yet to be felt; however, we have seen added caution from the US Federal Reserve which kept rates on hold at 4.25% during the month.

US CPI has remained in line with expectations at 2.9% (y/y). The US yield curve continued to steepen during the month, with 10-year yields ending at 4.54%. In other developed nations, the Bank of Japan hiked rates again to bring their cash rate to 0.25%. The European Central Bank cut rates further in response to deteriorating eurozone economic conditions. The Bank of Canada also continued to cut rates, moving the cash rate to 3.0%.

Domestically, we have seen a shift in rate cut expectations from the market. On the back of a sustained reduction in headline (2.4% (y/y)) and trimmed mean (3.2% (y/y)) CPI data, all four major banks are now predicting the Reserve Bank of Australia (RBA) will cut rates for the first time since 2020 at its February meeting. While the unemployment rate has remained strong at 4.0%, the movement in trimmed mean inflation should provide enough evidence for the RBA to begin gradually easing rates. The Australian yield curve steepened during the month, with the 3-year yield remaining flat at 3.82% and the 10-year yield selling off 7bps to 4.43%.

Spreads moved marginally wider in January as secondary markets took a breath after a tremendous 2024. Nevertheless, demand for new issuance has remained strong, with domestic and foreign investors consistently bidding for deals which has resulted in them closing well oversubscribed. After the successful launch of the Ampol hybrid deal in December, we have observed more companies coming to market to sound out further hybrid deals since conditions remain favourable for issuers. The Australian iTraxx tightened to 3bps to 66bps.

## Outlook

It appears highly likely that the RBA will soon commence its easing cycle. The speed and depth of this rate cutting cycle will likely depend on unemployment weakness and the residual inflationary impact of any new policies from President Trump.

With credit conditions remaining favourable for investors, we expect the tightening of spreads to continue. However, we remain vigilant to any potential risk off events from the unstable geopolitical backdrop. The domestic investment grade market remains robust, with balance sheets in good shape and companies further down the credit rating spectrum set to benefit from any rate cuts. We expect strong demand, both domestically and internationally for Australian credit.

## Portfolio profile

### Portfolio characteristics

|   | Portfolio |
|---|-----------|
| Running yield (incl franking credits) (%) | 6.24      |
| Option Adjusted Spread                    | 171       |
| Average weighted issue credit rating      | BBB+      |
| Average weighted ESG Rating*              | BBB+      |
| Estimated yield to maturity (%)           | 5.64      |
| Fund duration (yrs)                       | 1.38      |
| Spread duration (yrs)                     | 3.63      |
| Number of securities                      | 173       |
| Listed                                    | 32        |
| Unlisted                                  | 141       |

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

### Sector allocation

|                        | Portfolio % |
|------------------------|-------------|
| Asset Backed           | -           |
| Banks                  | 46.77       |
| Communication Services | -           |
| Consumer Discretionary | -           |
| Consumer Staples       | -           |
| Diversified Finance    | 8.11        |
| Energy                 | 5.96        |
| Health Care            | 1.67        |
| Industrials            | 11.43       |
| Information Technology | 0.21        |
| Insurance              | 12.44       |
| Materials              | 0.13        |
| Mortgage Backed        | -           |
| Real Estate            | 4.37        |
| Utilities              | 2.22        |
| Cash & Other           | 6.69        |

## Top 10 holdings

| Issuer                    | ISIN         | Portfolio % |
|---------------------------|--------------|-------------|
| ANZ Banking               | AU3FN0091583 | 2.54        |
| ANZ Banking               | AU3CB0311561 | 2.32        |
| Macquarie Bank            | AU3FN0085171 | 1.88        |
| Commonwealth Bank         | AU3CB0315638 | 1.80        |
| Westpac Banking           | AU3CB0304376 | 1.69        |
| BNP Paribas               | AU3FN0090353 | 1.63        |
| Insurance Australia Group | AU3FN0082640 | 1.61        |
| Origin Energy             | AU3CB0313625 | 1.60        |
| Ampol Limited             | AU3FN0057683 | 1.46        |
| Westpac Banking           | AU3CB0311140 | 1.39        |

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 | 8.89        |
| Callable           | 71.27       |
| At Maturity        | 13.15       |

## Security profile

|               | Portfolio % |
|---------------|-------------|
| Floating rate | 54.49       |
| Fixed rate    | 38.82       |
| Cash & Other  | 6.69        |

## Credit rating profile

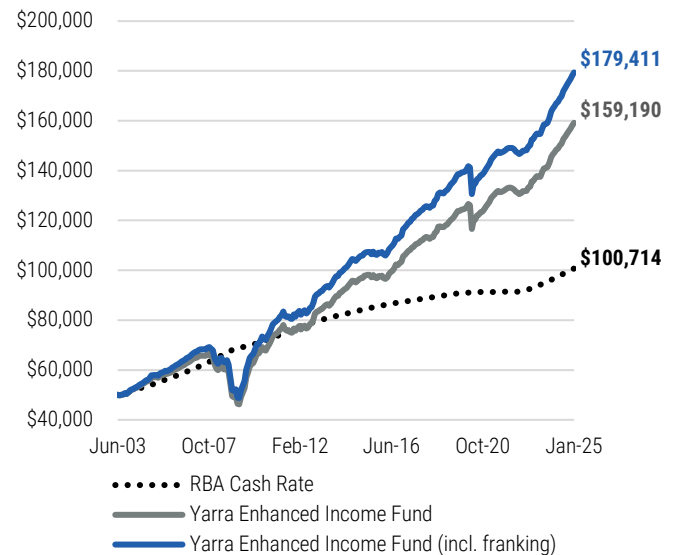
|                      | Portfolio % |
|----------------------|-------------|
| A+                   | 0.25        |
| A                    | 1.01        |
| A-                   | 18.92       |
| BBB+                 | 17.64       |
| BBB                  | 36.41       |
| BBB-                 | 11.11       |
| BB+                  | 3.01        |
| BB                   | 3.22        |
| BB-                  | 0.64        |
| B+                   | 0.83        |
| B                    | 0.28        |
| B-                   | -           |
| Not rated or below   | -           |
| Cash and Derivatives | 6.69        |

## 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\$2,015.9 mn as at 31 January 2025  |   |
| APIR code                         | JBW0018AU  |   |
| Estimated management cost         | 0.55% p.a.   |   |
| Buy/sell spread                   | +/- 0.10%  |   |
| Platform availability             | AMP North<br>Asgard<br>BT Panorama<br>CFS First Choice<br>Hub24<br>IOOF Wrap<br>Macquarie Wrap<br>Mason Stevens  | MLC Wrap<br>MLC Navigator<br>Netwealth<br>Praemium<br>Powerwrap<br>uXchange (DASH)<br>Xplore Wealth |

## Investment performance comparison of \$50,000

After fees, since inception of the Yarra Enhanced Income Fund, June 2003 to January 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 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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