

Yarra Income Plus Fund

Gross returns as at 31 January 2025

	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	0.58	1.85	7.52	5.15	3.55	4.44	6.17
Bloomberg AusBond Bank Bill Index	0.38	1.12	4.48	3.32	2.04	1.96	3.86
Excess return [‡]	0.20	0.73	3.03	1.83	1.50	2.48	2.31

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 January 2025

	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	0.52	1.68	6.79	4.44	2.85	3.74	5.42
Growth return [†]	0.52	1.14	3.15	1.19	0.02	0.41	0.73
Distribution return [†]	0.00	0.54	3.64	3.25	2.83	3.33	4.68
Bloomberg AusBond Bank Bill Index	0.38	1.12	4.48	3.32	2.04	1.96	3.86
Excess return [‡]	0.14	0.56	2.30	1.12	0.81	1.78	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 0.52% (net basis) over the month, outperforming its benchmark by 14bps. On a 12-month view the Fund returned 6.79% (net basis), outperforming the Bloomberg AusBond Bank Bill Index by 230bps.

The portfolio's positive return in January was mostly driven by its Infrastructure and REIT sleeve which benefitted from a broader rally in equities. The Cash, Diversified Credit and Hybrid sleeves also provided positive performance as higher running yields provide meaningful returns. The Fixed Income sleeve also contributed positively in the month as carry provided protection from a slight sell off in bonds.

No changes were made in January to the Tactical Allocation of the portfolio.

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.

The S&P/ASX 200 A-REIT index rose in January, returning 4.65% for the period while the broader S&P/ASX 200 returned 4.57% for the month. The S&P/ASX 300 Custom Infrastructure and Utilities Index returned 0.03%.

Higher rates have fostered an environment where we are seeing very attractive running yields 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 %§	Strategy
A-REITs, Infrastructure & Utilities	10.0	15.0	Underweight
Hybrid and FRNs	9.5	15.0	Underweight
Diversified Credit†	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.

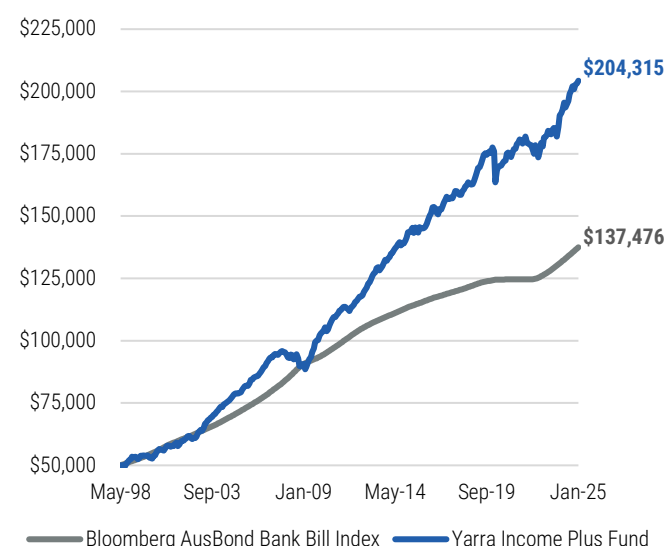
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$ 67.7 mn as at 31 January 2025	
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 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 Bloomberg AusBond Bank Bill Index is for comparative purposes only.

Applications and contacts

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

Website www.yarracm.com

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