

Yarra Australian Bond Fund

Net returns as at 31 July 2022

	1 month %	3 months %	6 months %	1 year %	2 years % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception % p.a.
Fund growth return (net)	3.82	1.02	-5.90	-9.71	-5.58	-4.39	-1.71	-1.32	-0.24
Fund distribution return (net)	0.00	0.00	0.00	0.06	1.04	2.53	3.24	4.26	5.26
Total Fund return (net)	3.82	1.02	-5.90	-9.65	-4.54	-1.87	1.53	2.94	5.02
Benchmark	3.36	0.93	-5.46	-9.10	-4.41	-1.81	1.49	2.88	4.99
Excess return	0.46	0.10	-0.44	-0.55	-0.13	-0.05	0.04	0.05	0.02

Source: BNP Paribas. Fund growth return is the change in redemption prices over the period. Fund distribution return equals Total Fund Return minus Fund growth return. Fund net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Past performance is not an indicator of future performance. Benchmark: Bloomberg AusBond Composite 0+YR Index. Inception date: July 2000

After fees and expenses, the Fund returned 3.82% to outperform the benchmark by 46 basis points (bps).

The Fund held an overweight duration position throughout the month as the market continues to price in higher terminal rates than we believe are likely. Throughout the month the market grappled with where terminal cash rates will end up, with bond yields staging a sell-off before rallying substantially into month end. During the month the Reserve Bank of Australia (RBA) delivered a second consecutive 50 basis point hike, taking the cash rate to 1.35% and signalling that more was to come. 10 year bonds ended the month at 3.06%, some 60 basis points below where they started, while 3 year bonds ended the month at 2.66%, falling 46 basis points over the month. The Fund holds a steepening curve positioning, with the majority of its duration exposure in 3 year bonds and bank bills, as the front-end of the bond curve is extremely steep. Duration was a key performer for the month, making back the lost performance from the prior month.

The Fund currently favours 5-10 year supranational issuers, with a focus on government guaranteed issuers, holds an overweight to 0-3 year corporate bonds and has an underweight to semi-government issuers. The semi-government position is short in the 5-10 year maturities, as this was where spreads performed their strongest in 2021 and state governments have been looking to fund. As spreads have widened in semi-government bonds we have begun reducing the underweight and seek to add bonds in the 5 and 10 year maturity points. Credit spreads rallied in July after a weak June, with a risk-on tone occurring globally. The Fund held an overweight to credit, with positions added over the past three months to take advantage of widening spreads. Credit positioning was positive for the month.

Risk Characteristics

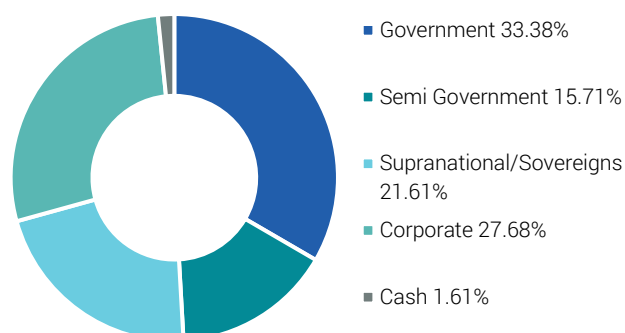
3 Year Volatility (p.a.)	5.62%
3 Year Tracking Error (p.a.)	0.57%

Fund Overview

Characteristics	Fund	Benchmark	Difference
Modified Duration (yrs)	6.15	5.23	0.93
Corporate Spread Duration (yrs)	0.83	0.27	0.56
Total Spread Duration (yrs)	3.41	1.99	1.42
Yield to Maturity (%)	4.19	3.55	0.63
Average Coupon (%)	2.25	2.74	-0.49
Weighted-average Credit Rating#	AA-	AA	

#Standard & Poor's

Portfolio Asset Allocation



Market Commentary

The Australian bond market (as measured by the Bloomberg AusBond Composite 0+ Yr Index) returned 3.36% over the month. 3-year government bond yields fell by 46 basis points (bps) to 2.66%, while 10-year government bond yields fell by 60 bps to 3.06%. Short-term bank bill rates were sharply higher again in July. The 1-month rate rose 51 bps to 1.65%, the 3-month rate was up 31 bps to 2.12%, and the 6-month rate was up 11 bps to 2.78%. The Australian dollar was stronger, closing the month at USD 0.70.

Monetary policy settings continued to tighten as the Reserve Bank of Australia (RBA) raised the cash rate target by another 50 bps, to 1.35% in July. The RBA expects further tightening in the process of normalising monetary conditions as they are committed to ensuring that inflation returns to the target range of 2-3%.

Domestic economic data releases in July were mixed. The Q2 headline CPI increased by 1.8%. The year-on-year rate accelerated sharply to 6.1%, the equal highest annual rate since 1990. Employment rose by 88,400 positions in June, taking the number of employed persons in Australia to a fresh record high. The unemployment rate also fell to a new record low of 3.5%. The NAB Survey of Business Conditions fell 2 points to 13 index points in June. Business confidence fell 5 points in June, to a below-average 1 index point. Retail sales were up 0.2% in June. CoreLogic's National Home Value Index recorded a third consecutive month of value declines, down 1.3% in July.

Top 10 Issuers

Security	Rating
Commonwealth Government Bonds	AAA
National Housing Finance & Investment Corporation	AAA
Treasury Corporation of Victoria	AA
Queensland Treasury Corporation	AA+
Export Finance & Insurance Corp	AAA
South Australian Govt Financial Authority	AA+
International American Development Bank	AAA
Asian Development Bank	AAA
Apollo Trust	AAA
International Finance Corporation	AAA

All of the above portfolio securities are Australian dollar denominated issues and include fixed interest and FRNs.

Market Outlook

The global economy faces a number of challenges, including the continuing war in Ukraine, ongoing disruptions from COVID-19, particularly in China, and declining consumer purchasing power due to higher inflation. The Australian economy has remained resilient however, and the recovery is ongoing despite the effects of increasing COVID-19 cases. The RBA has recently revised its economic forecasts. The RBA's

central economic forecasts for GDP have fallen, showing expectations for 3.25% GDP growth in 2022 and 1.75% over 2023 and 2024. Expectations around the unemployment rate are that it will fall below the current reading of 3.50% in coming months, but then rise to 4.00% at the end of 2024 as growth slows. Inflation is expected to rise further in coming quarters but then moderate. CPI inflation is now expected to reach 7.75% over 2022, moderating to above 4.00% over 2023 and around 3.00% over 2024.

The RBA has begun to withdraw the extraordinary monetary support that was initiated during the pandemic. The RBA has acknowledged that further interest rates rises are needed but will closely monitor the balance of risks as it determines the timing and extent of future rate increases. Despite the increasing cash rate, we maintain our view that the markets expectation of the terminal cash rate is still too high.

More recently economic data has begun slowing in the United States and Europe, creating concerns that recessionary conditions could be occurring. There is some merit to these expectations as the pace at which global central banks have been removing policy accommodation is the fastest in decades. While the economic situation in Australia is robust, any concerns seen offshore will likely influence our market over the next few quarters.

Fund Objective

The Fund aims to outperform the Bloomberg AusBond Composite 0+YR Index over any three-year rolling period, before fees, expenses and taxes.

Key Facts

Responsible Entity Yarra Investment Management Limited	Management Cost 0.30% p.a.
APIR Code TYN0104AU	Buy/Sell Spread 0.05%/0.05%
Portfolio Managers Darren Langer Chris Rands	Distribution Frequency Quarterly
Fund Size AUD 211.50 million	Benchmark Bloomberg AusBond Composite 0+YR Index
Minimum Investment AUD 10,000	

Contact Us

Yarra Capital Management Limited

Level 26, One International Towers Sydney
100 Barangaroo Avenue, Barangaroo NSW 2000, Australia

Phone 1800 251 589

Fax +61 2 8072 6304

Email sales.au@yarracm.com

Website www.yarracm.com

Disclaimers

Yarra Investment Management Limited ABN 34 002 542 038, AFSL 229664 (YIML) is the issuer and responsible entity of units in the Yarra Australian Bond Fund ARSN 098 736 255 (Fund). YIML is not licensed to provide personal financial product advice to retail clients. The information provided contains general financial product advice only. The advice has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client's objectives, financial situation or needs. Prior to investing in any of the Funds, you should obtain and consider the Product Disclosure Statement (PDS) and the Target Market Determination ("TMD") for the relevant Fund by contacting our Investor Services team on 1800 034 494 or from our website at www.yarracm.com/pdsupdates.

The information set out has been prepared in good faith and while YIML and its related bodies corporate (together, the "Yarra Capital Management Group") reasonably believe the information and opinions to be current, accurate, or reasonably held at the time of publication, to the maximum extent permitted by law, the Yarra Capital Management Group: (a) makes no warranty as to the content's accuracy or reliability; and (b) accepts no liability for any direct or indirect loss or damage arising from any errors, omissions, or information that is not up to date. No part of this material may, without the Yarra Capital Management Group's prior written consent be copied, photocopied, duplicated, adapted, linked to or used to create derivative works in any form by any means.

YIML manages each of the Funds and will receive fees as set out in each PDS. To the extent that any content set out in this document discusses market activity, macroeconomic views, industry or sector trends, such statements should be construed as general advice only. Any references to specific securities are not intended to be a recommendation to buy, sell, or hold such securities. Past performance is not an indication of, and does not guarantee, future performance. Information about the Funds, including the relevant PDSs, should not be construed as an offer to any jurisdiction other than in Australia. With the exception of some Funds that may be offered in New Zealand from time to time (as disclosed in the relevant PDS), we will not accept applications from any person who is not resident in Australia or New Zealand. The Funds are not intended to be sold to any US Persons as defined in Regulation S of the US federal securities laws and have not been registered under the U.S. Securities Act of 1933, as amended.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. Holdings may change by the time you receive this report. Future portfolio holdings may not be profitable. The information should not be deemed representative of future characteristics for the strategy. There can be no assurance that any targets stated in this document can be achieved. Please be advised that any targets shown are subject to change at any time and are current as of the date of this document only. Targets are objectives and should not be construed as providing any assurance or guarantee as to the results that may be realized in the future from investments in any asset or asset class described herein. If any of the assumptions used do not prove to be true, results may vary substantially. These targets are being shown for informational purposes only.

© Yarra Capital Management, 2022.