

Yarra Enhanced Income Fund

Gross returns as at 30 April 2021

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception [^] % p.a.
Yarra Enhanced Income Fund	0.62	2.53	9.57	5.59	6.57	6.07	6.35
Yarra Enhanced Income Fund (incl. franking)	0.62	2.53	9.57	5.86	6.97	6.57	7.02
RBA Cash Rate	0.01	0.02	0.18	0.84	1.12	2.03	3.43
Excess return [‡]	0.61	2.51	9.39	5.02	5.86	4.53	3.59

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 April 2021

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception [^] % p.a.
Yarra Enhanced Income Fund	0.58	2.40	8.90	4.83	5.78	5.27	5.52
Yarra Enhanced Income Fund (incl. franking)	0.58	2.40	8.90	5.10	6.18	5.76	6.20
Growth return [†]	0.29	1.53	5.46	1.39	2.11	0.56	0.00
Distribution return [†]	0.28	0.86	3.44	3.72	4.08	5.20	6.19
RBA Cash Rate	0.01	0.02	0.18	0.84	1.12	2.03	3.43
Excess return [‡]	0.57	2.37	8.72	4.26	5.07	3.73	2.76

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[^] Inception date Yarra Enhanced Income Fund: July 2003.

[†] 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.

[‡] The excess return figures shown represent the difference between the Fund's return including franking and the RBA Cash Rate.

Portfolio review

Yarra Enhanced Income Fund returned 0.58% (net basis) over the month, outperforming its benchmark by 57 bps. On a 12-month view the Portfolio returned 8.90%, outperforming the RBA Cash Rate by 872 bps (net basis, including franking).

The Fund did not participate in any new deals over the month, although continued to actively trade in secondary markets.

Market review

Market bulls benefitted from ongoing strength in risk-assets, even in the face of rapid growth in COVID-19 infections in some parts of the globe. The growth in new cases was focused in India, where new cases exceeded 350k/day as the month drew to a close. The picture was vastly different among

highly vaccinated nations, including Israel and the UK where numbers have significantly diminished.

Global bond markets appeared slightly more reactive to the infection outbreak, with sovereign yields moving lower across most advanced economies.

The sell-off occurred despite PMI beats in the Euro area, the UK and the US. US Q1 GDP was also released, marginally disappointing investors, up 6.4% (y/y) compared to expectations for 6.7%. Australia's sovereign yield also moved lower over the month in response to India's climbing case numbers.

The Reserve Bank of Australia (RBA) again left policy unchanged and maintained an upbeat tone. The potential introduction of macro-prudential policy was somewhat

dismissed by the RBA, stating they would continue to monitor trends in housing borrowing and ensure lending standards are maintained.

Pressure will continue to mount on Australia's central bank as house prices climb, particularly at the current pace, up 2.8% (m/m) in March (Corelogic House Price Index).

Other domestic economic data remained strong; ANZ job ads hit a 12-year high, up 7.4% in March (m/m), while preliminary retail sales climbed 1.4% (m/m), comfortably beating consensus expectations (+1.0%).

April was another strong month for corporate credit as spreads contracted even further. Preference for risk-assets and positive economic data underpinned strong support for the asset class. The pace of the credit rally began to ease, although there remains a tightening trend.

Large volumes of new issuance during the month were comfortably absorbed by the market, with a muted impact on secondary market spreads. The Australian iTraxx index moved tighter during April, down to 61 bps.

Outlook

Domestic data continues to point to a strong recovery in the Australian economy. Although the vaccine rollout lags that of much of the globe, the importance of this is far more subdued given low case numbers.

Minor outbreaks remain inevitable as recently evidenced in Perth; the response to such situations has proven effective thus far. Although stimulus programs, including JobKeeper, have now concluded, the Federal government and RBA have maintained strong economic support packages designed to aid the economy as Australia transitions through the recovery phase.

The Australian credit and hybrid market remains attractive relative to global peers given its superior credit quality, industry structure and floating rate nature. The downward momentum in corporate credit spreads reflects the strong demand for high yielding assets.

The market for new issuance remains robust, with ample liquidity moving around the market to find a home. We expect to see ongoing strength in the space as the economic recovery continues to gather momentum.

Portfolio profile

Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	3.22
Option Adjusted Spread	2.51
Average weighted issue credit rating	BBB-
Estimated yield to maturity (%)	3.16
Fund duration (yrs)	0.08
Spread duration (yrs)	4.43
Number of securities	74
Listed	35
Unlisted	39

Sector allocation

	Portfolio %
Asset Backed	3.65
Banks	30.54
Consumer Discretionary	4.46
Consumer Staples	0.00
Diversified Finance	11.40
Energy	3.75
Health Care	2.79
Industrials	16.60
Information Technology	0.00
Insurance	13.17
Materials	1.45
Mortgage Backed	0.00
Real Estate	4.88
Utilities	1.44
Derivatives	-10.13
Cash and equivalents	16.00

Top 10 holdings

Issuer	ISIN	Portfolio %
National Australia Bank	AU3FN0055224	5.14
Crown Resorts	AU0000CWNHB7	4.46
Ampol	AU3FN0057683	3.75
Suncorp-Metway	AU0000SBKHB3	3.51
Insurance Australia Group	AU3FN0047544	3.30
Brisbane Airport Corp.	AU3CB0272854	3.09
Qube Holdings	AU0000QUBHA8	2.63
Macquarie Group	AU0000040172	2.47
Australian Unity	AU0000059933	2.32
Westpac Banking	AU0000114837	2.15

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	35.34
Callable	42.28
At Maturity	22.38

Security profile

	Portfolio %
Floating rate	76.03
Fixed rate	18.09
Cash & Other	5.88

Credit rating profile

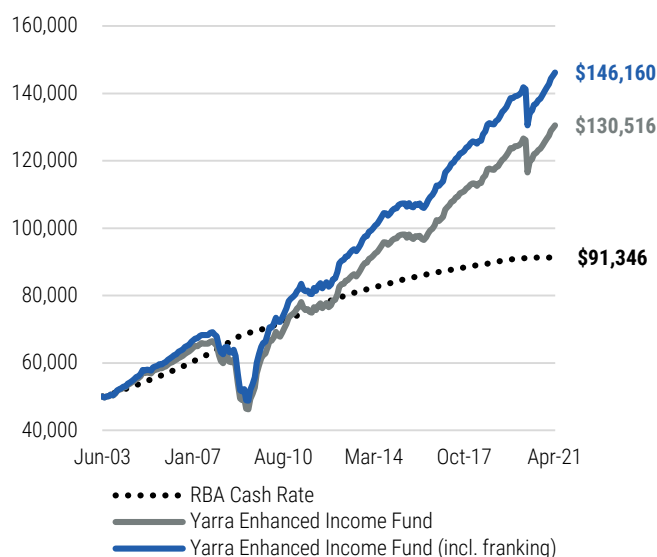
	Portfolio %
AA	1.86
A+	0.00
A	0.94
A-	0.96
BBB+	4.62
BBB	19.57
BBB-	28.94
BB+	16.26
BB	14.83
BB-	1.53
B+	2.35
B	1.45
B-	0.63
Not rated or below	0.17
Cash and Derivatives	5.88

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	July 2003	
Fund size	Pooled Fund A\$108.9mn as at 30 April 2021	
APIR code	JBW0018AU	
Estimated management cost	0.55% p.a.	
Buy/sell spread	+/- 0.10%	
Distribution frequency	Monthly	
Platform availability	Asgard BT Panorama BT Wrap Colonial FirstWrap Freedom of Choice Hub24	Macquarie Wrap Consolidator PowerWrap SmartWrap uXchange

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Enhanced Income Fund, July 2003 to April 2021.



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.

Applications and contacts

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

Website 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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