

# Yarra Enhanced Income Fund

## Gross returns as at 30 April 2022

	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	-0.48	-0.95	1.44	3.59	4.76	6.18	6.08
Yarra Enhanced Income Fund (incl. franking)	-0.48	-0.95	1.44	3.63	5.04	6.58	6.72
RBA Cash Rate	0.01	0.02	0.10	0.38	0.82	1.59	3.26
Excess return <sup>‡</sup>	-0.48	-0.98	1.34	3.26	4.22	4.98	3.47

**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 2022

	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	-0.52	-1.08	0.88	2.93	4.03	5.40	5.27
Yarra Enhanced Income Fund (incl. franking)	-0.52	-1.08	0.88	2.97	4.31	5.79	5.91
Growth return <sup>†</sup>	-0.78	-1.84	-2.19	-0.21	0.58	1.24	-0.11
Distribution return <sup>†</sup>	0.26	0.76	3.08	3.17	3.73	4.55	6.02
RBA Cash Rate	0.01	0.02	0.10	0.38	0.82	1.59	3.26
Excess return <sup>‡</sup>	-0.53	-1.11	0.78	2.59	3.49	4.20	2.65

**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 prepared on an exit to exit basis – they include all ongoing fees and expenses and assume reinvestment of all 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> Inception date Yarra Enhanced Income Fund: July 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 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 -0.52% (net basis) over the month, underperforming its benchmark by 53 bps. On a 12-month view the Fund has returned 0.88%, outperforming the RBA Cash Rate by 78 bps (net basis, including franking).

Performance was again impacted by broader market risk-off sentiment. The move wider in spreads and increase in underlying yields is creating several attractive opportunities.

The new issuance market remained relatively subdued. The Fund participated in one new deal in the period. The deal – a Tier 2 security from CBA which – was very attractive relative to where the Tier 1 market is trading.

### Market review

Conflict in Ukraine appears to be more enduring in nature than many first predicted, with commodity prices stabilising at elevated levels and supply chains across the market remaining under strain.

Unsurprisingly, inflation continued to push higher, pressuring central banks to increase the pace in the tightening of monetary policy. Markets have priced an aggressive hiking cycle, pushing yields higher across the month. Bond markets were highly susceptible to central bank conjecture, with wild swings a common theme during the month.

The Reserve Bank of Australia (RBA) remained adamant in its intention to observe further data prior to raising rates. However, following an upward surprise in Australia's inflation

– taking the headline figure to 5.1% (y/y) – the central bank changed tact; post month-end the cash rate was lifted 25 bps to 0.35%. It is likely this will be the first of multiple hikes this year.

Corporate credit and hybrid spreads were softer during the month. Broader market risk-off sentiment on the back of dampening economic growth expectations has weighed on the market. Widening spreads and robust corporate fundamentals have created a compelling risk-return proposition in the sector. Australia's iTraxx index moved higher over the month, closing at ~95 bps.

## Outlook

Both economic and geopolitical conditions remain uncertain. Inflationary pressure has proved unrelenting and forced the hand of policymakers. Given the starting position, though, it seems global economies are generally well poised to withstand tightening financial conditions.

The quantum of rate hikes priced into the curve are more significant than we expect will come to fruition. A robust labour market and strong household liquidity will underpin positive economic growth as rates rise. We expect rate hikes to slow the rate of economic growth however, domestically, we do not expect it to be enough to wipeout growth altogether.

Rising outright yields and a move higher in spreads is creating attractive value across the credit and hybrid market. Minimal returns on cash continue to underpin strong demand, as reflected in the oversubscription of most new deals coming to market. We anticipate demand for yield to remain robust throughout 2022, supporting strong returns over the year.

## Portfolio profile

### Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	3.00
Option Adjusted Spread	243
Average weighted issue credit rating	BBB
Average weighted ESG Rating	BBB
Estimated yield to maturity (%)	5.21
Fund duration (yrs)	0.68
Spread duration (yrs)	3.30
Number of securities	91
Listed	32
Unlisted	59

### Sector allocation

	Portfolio %
Asset Backed	0.49
Banks	34.67
Communication Services	0.90
Consumer Discretionary	3.60
Consumer Staples	-
Diversified Financials	12.56
Energy	3.81
Health Care	3.08
Industrials	9.90
Information Technology	0.65
Insurance	14.91
Materials	0.57
Mortgage Backed	-
Real Estate	2.89
Utilities	4.17
Cash & Other	7.81

### Top 10 holdings

Issuer	ISIN	Portfolio %
Commonwealth Bank of Australia	AU3FN0067989	5.34
National Australia Bank	AU3FN0055224	4.88
Westpac	AU3FN0058129	3.91
Crown Resorts	AU0000CWNHB7	3.60
Ampol	AU3FN0057683	2.95
QBE	AU3FN0055489	2.80
IAG	AU3FN0047544	2.78
Resolution Life	AU3FN0057691	2.72
AusNet	AU3CB0288066	2.68
AMP	AU3FN0045746	2.55

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	18.36
Callable	62.44
At Maturity	19.19

## Security profile

	Portfolio %
Floating rate	77.28
Fixed rate	14.91
Cash & Other	7.81

## Credit rating profile

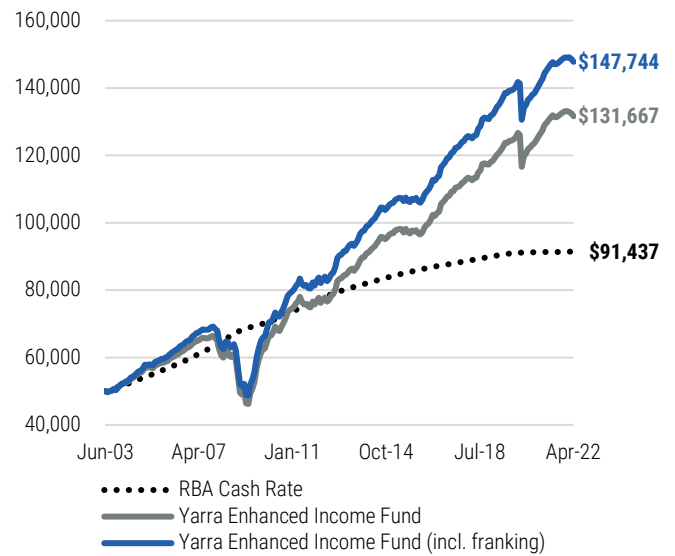
	Portfolio %
A+	0.34
A	0.34
A-	0.51
BBB+	19.74
BBB	22.40
BBB-	24.25
BB+	11.91
BB	10.39
BB-	-
B+	2.02
B	-
B-	0.23
Not rated or below	0.05
Cash and Derivatives	7.81

## 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\$291.3 mn as at 30 April 2022
APIR code	JBW0018AU
Estimated management cost	0.55% p.a.
Buy/sell spread	+/- 0.10%

## Investment performance comparison of \$50,000

After fees, since inception of the Yarra Enhanced Income Fund, July 2003 to April 2022.



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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