

# Yarra Income Plus Fund

## Gross returns as at 31 December 2022

	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	-0.77	2.72	-1.52	1.15	2.85	4.31	6.05
Bloomberg AusBond Bank Bill Index	0.25	0.74	1.25	0.55	1.01	1.67	3.83
Excess return <sup>‡</sup>	-1.02	1.97	-2.77	0.61	1.84	2.64	2.22

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 December 2022

	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	-0.83	2.54	-2.18	0.47	2.16	3.61	5.29
Growth return <sup>†</sup>	-1.71	1.63	-4.79	-1.89	-0.26	0.14	0.51
Distribution return <sup>†</sup>	0.88	0.91	2.60	2.37	2.42	3.47	4.79
Bloomberg AusBond Bank Bill Index	0.25	0.74	1.25	0.55	1.01	1.67	3.83
Excess return <sup>‡</sup>	-1.08	1.80	-3.44	-0.08	1.15	1.94	1.46

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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 2.54% (net basis) over the December quarter, outperforming the Bloomberg AusBond Bank Bill Index by 180 bps.

A number of changes were made to the Fund's tactical asset allocation during the period. Early in the quarter we moved underweight Hybrids in favour of Property, Infrastructure and Utilities. The move proved favourable as risk sentiment improved early in the quarter. Following the risk rally, we moved from overweight back to neutral Property, Infrastructure and Utilities and reduced our underweight position in cash.

Performance from the Real Assets sleeve was positive over the quarter. Weak economic data led markets participants to position for a possible central bank pivot. As such, equity markets performed well over the period.

Diversified Credit also contributed positively to performance. Tightening spreads and elevated levels of carry drove strong

returns. Running yield remains at high levels and is offering significant downside protection.

The Fixed Income sleeve also contributed positively to performance, despite yields trading wider over the period. Offsetting weakness from wider yields was the sleeve's running yield, which remains attractive.

The Reserve Bank of Australia (RBA) raised the cash rate a cumulative 75 bps over the quarter, taking the cash rate to 3.10%. The Cash sleeve is now presenting more attractive yield; however, we still see better value in other sleeves at our disposal.

### Market review

Somewhat perversely, a continued deterioration in economic data proved positive for risk sentiment during the quarter. Leading indicators continue to show signs of stress as cumulative policy tightening flows through the broader economy. For investors, this presented an opportunity to position for a potential central bank 'pivot', whereby the tightening of monetary policy would be put on ice. However,

this was not to be.

Among the more market sensitive data points during December were weaker than expected inflation prints from both the US and the UK. Policy makers were quick to subdue market excitement, reiterating hawkish positioning.

The Reserve Bank of Australia (RBA) hiked at each of its three meetings during the quarter, albeit at a reduced rate. The cash rate now sits at 3.10%. Minutes from the most recent meeting showed a broad range of possibilities. The RBA considered raising 50 bps – or not raising at all – before settling at 25 bps. Elevated inflation was balanced out by the cumulative impact of rate hikes already pushed through in the RBA's final decision making.

## Sector review

### Listed Property, Infrastructure and Utilities

Equity markets were strong over the period. Real Assets traded particularly well, likely due to recent underperformance and investor desire to add duration. Australian listed property, infrastructure and utilities returned 12.62% over the quarter. Comparatively, the broader S&P/ASX 200 Accumulation Index returned 9.40%.

### Hybrids

Hybrid spreads moved tighter over the period. Our preference for Tier 2 paid off, outperforming Tier 1 over the period. Despite this quarter's outperformance we continue to see better value in Tier 2 given relative trading levels.

### Diversified Credit

Corporate credit spreads were tighter over the period. The continued absence of new issuance is creating very strong secondary market demand, driving spreads lower. Adding to the attractiveness of corporate credit is the substantial level of carry which is providing significant downside protection. The Australian iTraxx index was tighter over the period, closing at ~93 bps.

### Fixed Income

Yields in the Fixed Income sleeve continued to press higher. There is now significant downside protection in the sleeve given the strong level of running yield. In our view, it appears unlikely that central banks will raise rates to the levels being priced by the market.

### Cash

The RBA lifted the cash rate to 3.10%. We expect the RBA will hike once more at their first meeting of 2023, before taking a pause. At this point in time, we continue to see better value across other sleeves at the Fund's disposal.

## Asset allocation

	Target %*	Neutral position %§	Strategy
A-REITs, Infrastructure & Utilities	15.0	15.0	Neutral
Hybrid and FRNs	13.0	15.0	Underweight
Diversified Credit†	16.0	10.0	Overweight
Fixed interest	30.0	20.0	Overweight
Cash	26.0	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.

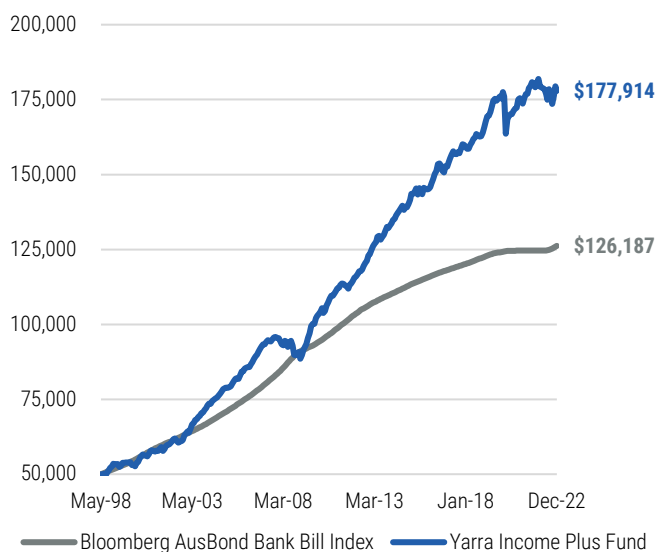
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

## 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\$81.2 mn as at 31 December 2022	
APIR code	JBW0016AU	
Estimated management cost	0.68% p.a.	
Buy/sell spread	+/- 0.10%	
Distribution frequency	Quarterly	
Platform availability	Asgard BT Wrap BT Panorama Colonial FirstWrap Hub24 Macquarie Wrap Consolidator MLC Wrap	Netwealth Oasis OnePath PortfolioOne PowerWrap SmartWrap Wealthtrac

## Investment performance comparison of \$50,000

After fees, since inception of the Yarra Income Plus Fund, May 1998 to December 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 Bloomberg AusBond Bank Bill Index is for comparative purposes only.

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## Applications and contacts

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

**Website** [www.yarracm.com](http://www.yarracm.com)

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