

Yarra Income Plus Fund

Gross returns as at 31 March 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	-0.13	-1.55	2.50	2.50	3.54	5.06	6.24
Bloomberg AusBond Bank Bill Index	0.00	0.01	0.04	0.46	1.02	1.83	3.90
Excess return [‡]	-0.13	-1.57	2.47	2.05	2.52	3.23	2.34

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 March 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	-0.19	-1.72	1.81	1.81	2.84	4.35	5.49
Growth return [†]	-0.26	-1.79	0.09	-0.28	0.36	0.88	0.65
Distribution return [†]	0.07	0.07	1.71	2.09	2.48	3.47	4.83
Bloomberg AusBond Bank Bill Index	0.00	0.01	0.04	0.46	1.02	1.83	3.90
Excess return [‡]	-0.19	-1.73	1.77	1.35	1.82	2.52	1.58

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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 -1.72% (net basis) over the December quarter, underperforming the Bloomberg AusBond Bank Bill Index by 173 bps. On a 12-month view, the Fund returned 1.81%, outperforming its benchmark by 177 bps on a net basis. No changes were made to the Fund's asset allocation during the quarter.

Russia's invasion of Ukraine added further pressure to inflationary woes. As such, the Fixed Income sleeve was the largest detractor from performance. Given how much yields have sold off, we believe the sleeve is beginning to offer some compelling value.

The Real Assets sleeve detracted from performance during the quarter, with weaker risk tolerance and rising yields weighing on performance. Real Assets tend to trade lower in the context of rising real yields which we have started to observe.

The Hybrid sleeve was slightly weaker over the quarter. Despite strong market liquidity and relatively few new deals,

hybrids traded lower during the period. Outright yields in the sleeve pushed far higher as yields moved up.

Diversified Credit detracted as spreads softened. Demand for high quality corporate names remains robust, particularly at the long end where the level of outright yield is becoming increasingly compelling.

It appears increasingly likely that the Reserve Bank of Australia (RBA) will lift rates in June 2022. While this will lift the yield on offer in the cash sleeve, at this point in time we see better value across other asset classes.

Market review

Consistent with previous quarters, disrupted supply chains, inflation and monetary policy tightening were all prevalent features of the first quarter of 2022. Compounding the big unknown of how the cycle will play out was the boiling over of geopolitical tensions as Russia invaded Ukraine.

Data across developed economic economies painted a familiar picture of tight labour markets and elevated inflation. Among the key prints were US CPI at 7.9% (y/y) and the UK not far off

the pace at 6.2% (y/y). Both the US and the UK joined a growing list of nations that have now commenced hiking cash rates. Concerningly, the US yield curve inverted during the period, a strong recessionary indicator. The potential for tapering and hiking cycles to be too aggressive remains front of mind.

Domestically, a strong consumer profile and labour market and elevated liquidity remained present in economic data. The jobless rate was just 4% at the conclusion of February and job ads remained elevated. Strong conditions have slowly started to show in the form of wages growth and continue to underpin strong retail sales.

Sector review

Listed Property, Infrastructure and Utilities

Equity markets finished higher despite selling off on Russia-Ukraine fears. Given the significant sell-off in sovereign yields it was not surprising to see the sleeve underperform the broader market. Australian listed property, infrastructure and utilities returned -2.17% over the quarter. Comparatively, the broader S&P/ASX 200 Accumulation Index returned 2.24%.

Hybrids

Hybrid securities were weak over the period. Spreads moved wider as investors sought to minimise risk exposure. As underlying yields moved higher the sleeve becomes increasingly compelling.

Diversified Credit

Corporate credit and hybrid spreads were softer over the quarter. Liquidity in the sector remained high, however broader market weakness flowed through to spreads. New issuance was largely muted until a flurry of new deals came late in the quarter. Much of the market held its breath through the early phase of Russia's invasion before markets settled. The Australian iTraxx index moved higher over the period, closing at ~81 bps.

Fixed Income

The Australian yield curve pushed higher far higher over the quarter. It seems increasingly likely that the RBA will begin tapering in June 2022, marking the beginning of a tightening cycle. However, yields have likely oversold in some parts of the curve and as such we are seeing a number of attractive opportunities in the sleeve.

Cash

The RBA held the cash rate at 0.10%, and although this appears set to change we see better opportunities across the other sleeves at our disposal at this point in time.

Asset allocation

	Target %*	Neutral position %§	Strategy
A-REITs, Infrastructure & Utilities	15.0	15.0	Neutral
Hybrid and FRNs	21.0	15.0	Overweight
Diversified Credit†	15.5	10.0	Overweight
Fixed interest	14.5	20.0	Underweight
Cash	34.0	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.

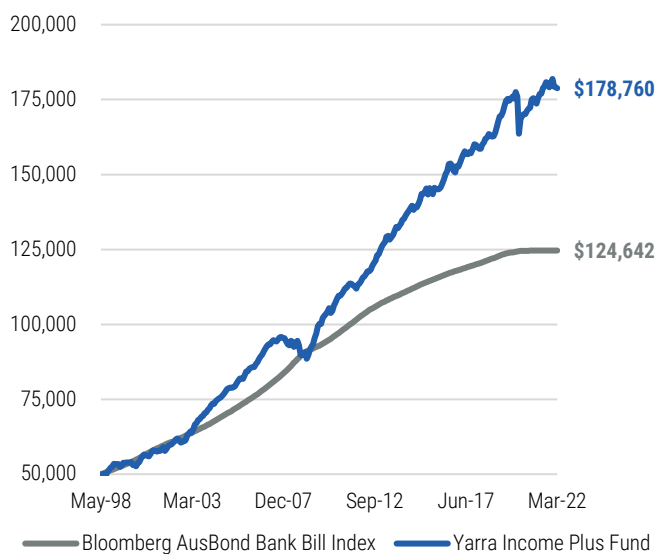
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$81.6 mn as at 31 March 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 March 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.

Applications and contacts

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

Website www.yarracm.com

Investor Services Team 1800 034 494 (Australia) +61 3 9002 1980 (Overseas) IST@yarracm.com

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