

Yarra Income Plus Fund

Gross returns as at 31 March 2023

	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	0.61	2.80	2.84	4.43	3.56	4.36	6.11
Bloomberg AusBond Bank Bill Index	0.28	0.79	2.04	0.73	1.08	1.68	3.83
Excess return [‡]	0.32	2.01	0.80	3.71	2.47	2.68	2.28

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 2023

	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	0.55	2.63	2.15	3.73	2.86	3.65	5.35
Growth return [†]	-0.03	2.04	-1.08	1.27	0.41	0.20	0.58
Distribution return [†]	0.58	0.60	3.23	2.46	2.45	3.45	4.77
Bloomberg AusBond Bank Bill Index	0.28	0.79	2.04	0.73	1.08	1.68	3.83
Excess return [‡]	0.26	1.84	0.10	3.00	1.77	1.97	1.52

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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 2.63% (net basis) over the March quarter, outperforming the Bloomberg AusBond Bank Bill Index by 184 bps.

Performance in the Real Assets sleeve was positive. A shift in sentiment led to a broad-based rally benefitting the sleeve.

Diversified Credit was also a strong contributor. Elevated levels of carry continue to underpin positive performance. Running yield remains at an attractive level, and will continue to provide strong downside protection for some time.

The Fixed Income sleeve performed well over the quarter. Issues in the global banking sector led investors to price an impending rate cutting cycle. As such, long duration securities performed very well. Despite the rally, the yield on offer in the sleeve continues to look attractive.

No changes were made to the Fund's tactical asset allocation during the quarter. We continue to hold conviction in our overweight Fixed Income as it seems duration has further to rally.

Market review

The year started with an upbeat tone as the 'everything rally' took hold. Risk appetite had returned, and markets started pricing a 'soft-landing'. Inevitably, though, the magnitude of tightening in financial conditions was not to be ignored, with the consequences felt late in the March quarter.

The deterioration in fiscal conditions began taking casualties as several US regional banks collapsed and Credit Suisse was forced into a merger by UBS. The banking woes were caused by significant unrealised losses coupled with a run-on liquidity. While initial fears of contagion look to have been overblown, it is a good reminder of the impact and magnitude of central bank tightening. Despite the uncertainty, several central banks, including the Federal Reserve and ECB, continued to lift their target rates.

Global economic data remained somewhat resilient to tightening conditions through the quarter. Services PMIs across most global economies beat expectations, sparking a modest sell-off in financial markets. Weak US labour market

data late in the period reassured markets that the top of the hiking cycle may be nearing.

The Reserve Bank of Australia (RBA) raised rates at each of their two meetings during the quarter, taking the cash rate to 3.60%. It was clear in the March minutes that the tone of the RBA has begun to shift. The board conceded that economic data early in the year showed signs of softening, however, it still expects further tightening may be required.

Sector review

Listed Property, Infrastructure and Utilities

Equity markets were strong over the period. A strong start to the year more than offset modest weakness as banking pressures boiled over. The Australian listed property, infrastructure and utilities underperformed the broader market, returning 2.15%. Comparatively, the broader S&P/ASX 200 Accumulation Index returned 3.46%.

Hybrids

It was an eventful quarter for Hybrids following the complete write down of Credit Suisse AT1s. Domestic Tier 1s vastly outperformed global counterparts thanks to a well-capitalised and highly regulated banking sector, coupled with a more supportive Tier 1 structure, including conversion to equity. Despite the sell-off in Tier 1 and across the hybrid market, we continue to see better value in other sleeves at our disposal.

Diversified Credit

Corporate credit spreads were tighter over the period. The ongoing absence of new issuance has helped underpin strong demand for credit. As bank funding costs rise and credit becomes harder to access, we expect new issuance markets to ramp up. The Australian iTraxx index moved modestly tighter to 90 bps.

Fixed Income

Issues in the global banking sector sparked suspicion that central bank tightening might be nearing its end. As such, yields in the Fixed Income sleeve moved sharply lower. We continue to see value in the sleeve as further yield compression seems likely and carry remains attractive.

Cash

The RBA lifted the cash rate to 3.60%. We expect the RBA hiking cycle has now concluded. At these levels, the attractiveness of cash has greatly improved, although we continue to find better risk-adjusted returns across other sleeves.

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.

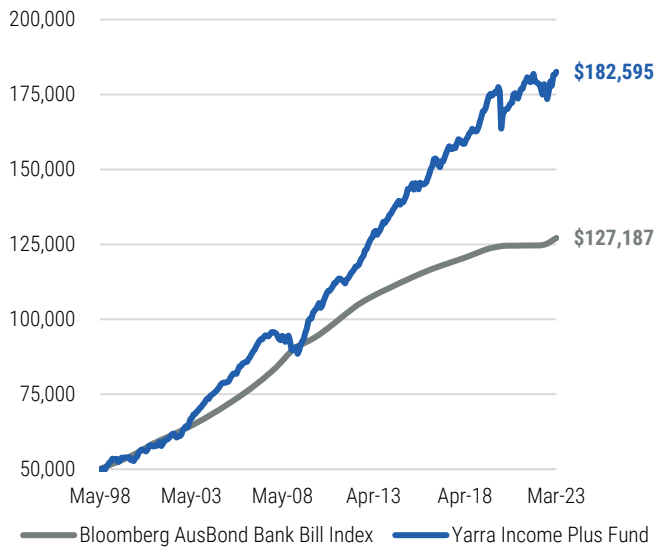
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$80.0 mn as at 31 March 2023	
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 2023.



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.

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