

# Yarra Income Plus Fund

## Gross returns as at 31 May 2021

	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	0.09	2.09	5.08	3.97	4.04	5.26	6.41
Bloomberg AusBond Bank Bill Index	0.00	0.01	0.06	1.01	1.33	2.23	4.05
Excess return <sup>‡</sup>	0.09	2.08	5.02	2.96	2.71	3.02	2.36

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 May 2021

	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	0.03	1.92	4.37	3.27	3.34	4.53	5.64
Growth return <sup>†</sup>	0.03	1.36	2.02	0.83	0.09	0.54	0.71
Distribution return <sup>†</sup>	0.00	0.55	2.35	2.43	3.24	3.99	4.94
Bloomberg AusBond Bank Bill Index	0.00	0.01	0.06	1.01	1.33	2.23	4.05
Excess return <sup>‡</sup>	0.03	1.91	4.31	2.26	2.01	2.30	1.60

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.

\* 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 0.03% (net basis) in May, outperforming the Bloomberg AusBond Bank Bill Index by 3 bps. Performance over the month was led by the Fund's exposure to Diversified Credit, with Real Assets the only detractor. On a 12-month view, the Fund returned 4.37%, outperforming the Bloomberg AusBond Bank Bill Index by 431 bps on a net basis.

Our target asset allocation remained unchanged over the month. We continue to skew in favour of higher yielding asset classes rather than Fixed Interest and Cash.

### Market review

Investors were cautious over the course of the month. The US CPI print tripled consensus expectations and risk assets induced a short lived sell-off. Nerves was eased in the back half of May as commentary out of central banks across the globe remained dovish.

Despite selling off early in the period, risk-assets generally closed marginally in the green, with current monetary policy

settings and a clear hesitancy for any tightening driving performance.

Bond investors faced a similar dynamic over the month. While heightened inflation expectations pushed bonds higher, central bank commentary that followed led to a rally through the second half of May.

Equity markets moved higher again despite weakness through the first half of May. As expected, Real Assets were more susceptible to the sell-off given the correlation between rates and inflation. The market cap weighted index of Australian listed property, infrastructure and utilities underperformed the broader market, returning -0.50%.

Spreads in the corporate credit were relatively flat. New issuance was subdued, although those deals that did come to market were comfortably absorbed. The Australian iTraxx index moved tighter closing at ~59 bps.

As expected, the RBA left policy unchanged in their May meeting. Notably Australia's central bank did make some large upgrades to growth forecasts in light of the economic recovery outpacing previous expectations. The RBA also lowered

unemployment expectations, now forecasting a rate of 5% by year-end. Interestingly, this had little impact on its own inflation expectations.

The broader Australian economic story remains a positive one, with the unemployment rate continuing to fall and retail sales and home approvals remaining persistently strong. Improving business conditions have begun to manifest in the form of wage growth, creeping up 0.6% (q/q) in March and equating to a 1.5% rise since the same time last year. We expect strength to remain, as economic indicators point towards a more robust outlook.

## Asset allocation

	Target %*	Neutral position %§	Strategy
A-REITs, Infrastructure & Utilities	18.0	15.0	Overweight
Hybrid and FRNs	21.0	15.0	Overweight
Diversified Credit†	15.0	10.0	Overweight
Fixed interest	14.5	20.0	Underweight
Cash	31.5	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.

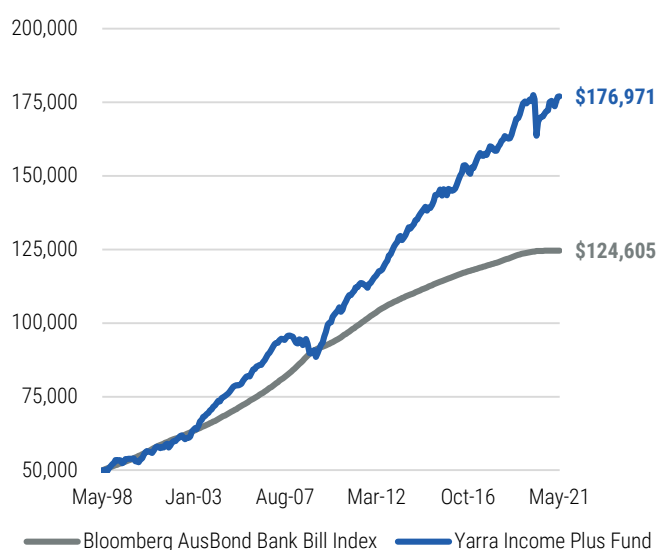
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

## 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\$87.1 mn as at 31 May 2021	
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 May 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 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)

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

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