

Yarra Income Plus Fund

Gross returns as at 30 September 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	-0.19	1.05	5.56	4.11	4.04	5.60	6.41
Bloomberg AusBond Bank Bill Index	0.00	0.01	0.04	0.78	1.20	2.06	3.99
Excess return [‡]	-0.19	1.05	5.52	3.32	2.84	3.54	2.42

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 30 September 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	-0.24	0.88	4.84	3.40	3.34	4.88	5.65
Growth return [†]	-0.48	0.64	1.95	0.95	0.33	1.25	0.72
Distribution return [‡]	0.24	0.24	2.89	2.45	3.01	3.63	4.92
Bloomberg AusBond Bank Bill Index	0.00	0.01	0.04	0.78	1.20	2.06	3.99
Excess return [‡]	-0.24	0.87	4.80	2.62	2.14	2.81	1.66

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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 0.88% (net basis) over the September quarter, outperforming the Bloomberg AusBond Bank Bill Index by 87 bps. All sleeves contributed positively to return, led by our exposure to Real Assets. On a 12-month view, the Fund returned 4.84%, outperforming its benchmark by 480 bps on a net basis. We made a minor change to positioning late in the quarter, increasing our underweight position in cash and adding to our exposure to Diversified Credit.

The Real Assets sleeve led performance over the quarter as a strong corporate reporting season drove valuations higher. Significant dividends and sizable buy-backs were commonplace, further supporting risk-on sentiment. The sleeve pulled back late in the period as bond yields pushed higher.

The Hybrid sleeve was again a strong contributor. The much-anticipated conclusion of the Term Funding Facility (TFF) and return of bank senior had a relatively minor impact on subordinated notes. The Fund took advantage of an

abundance of new deals, with many deals coming to market offering a healthy new issuance premium.

Diversified Credit delivered another strong quarter. The sleeve took advantage of the steep yield curve as credit spreads continued to grind in, participating in a number of new deals from high quality names issuing long-dated paper.

We maintained our underweight position in Fixed Interest. A combination of elevated shipping costs, climbing commodity prices and the emerging energy crisis is likely to push inflation upwards. In this environment we remain comfortable in our underweight position.

The RBA continues to maintain a dovish outlook, reiterating their intention to avoid a rate hike until at least 2024. As a result, we were happy to reduce our cash position during the quarter.

Market review

Markets continued to ride the wave of accommodative economic conditions in the early part of the September quarter. Low rates, significant stimulus and consumer demand

marked a robust corporate earnings season. Momentum, though, was not sustaining as Chinese policy change put their large real estate developers on the brink of collapse, most notably Evergrande. The developing energy crisis across much of Europe only exacerbated market volatility and sovereign bond markets were no exception, pushing lower on increasing COVID-19 cases before selling-off as inflationary risks became increasingly apparent.

The Reserve Bank of Australia (RBA) remained dovish over the quarter. Australia's central bank again stressed the importance of wage price growth in driving any significant change to policy. One notable adjustment was to the level of QE reducing from \$5bn a week to \$4bn.

Signs of weaker economic conditions following long and stringent lockdowns began to show in the economic data during the period. While the unemployment rate pushed lower, the number of jobs and job vacancies began to fall, albeit from elevated levels. Retail sales followed a similar trajectory, with the decline especially concentrated in the lockdown states.

Sector review

Listed Property, Infrastructure and Utilities

Equity markets reached record highs through August on the back of robust corporate earnings. The back-end of the quarter was far less positive as markets wiped off the gains seen through the reporting period. Australian listed property, infrastructure and utilities returned 6.76% over the quarter. Comparatively, the broader S&P/ASX 200 Accumulation Index returned 1.71%.

Hybrids

Hybrid securities had another strong quarter as spreads continue to grind lower. Investors continue to be drawn into the hybrid space, seeking out a more attractive level of yield. As such, downward momentum in spreads has been persistent even through the volatile September period. New issuance was abundant during the quarter and consistently met with high levels of demand. We expect the easing of lockdown to drive robust economic conditions into the end of the year providing favourable conditions for hybrid issuers.

Diversified Credit

Corporate credit proved somewhat insulated from equity market volatility as spreads continued to push lower. The steepness of the yield curve has created significant value in the space, particularly at the long-end. Overall corporate reporting season was credit positive, with strong earnings momentum and abundant liquidity a common theme. The Australian iTraxx index moved wider over the quarter, to ~67 bps.

Fixed Income

Australian 10-year yields tracked in line with their global counterparts in the September quarter. The Delta outbreak drove yields lower as investors contemplated a delay to tapering. However, in the back half of the month sovereign

bonds sold off as the energy crisis lifted inflation expectations and the possibility of stagflation. Exacerbating the sell-off was the release of the Fed Reserve's dot plot showing half of its 18 members how expect the first rate hike to be in 2022.

Cash

The RBA held the cash rate at 0.10% and the central bank's commentary again suggested it does not foresee any change in the near term. Cash remains a low yielding asset class and we continue to see more attractive risk-return premia among other asset classes.

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

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.

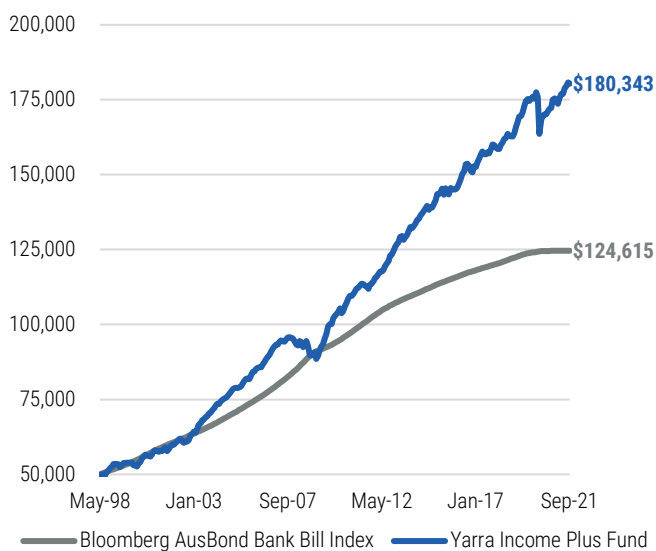
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$84.5 mn as at 30 September 2021	
APIR code	JBW0016AU	
Estimated management cost	0.68% p.a.	
Buy/sell spread	+/- 0.10%	
Distribution frequency	Quarterly	
Platform availability	Asgard BT Panorama Hub24 Macquarie Wrap	MLC Wrap Oasis Praemium Xplore Wealth

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Income Plus Fund, May 1998 to September 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.

Applications and contacts

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

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