

Yarra Income Plus Fund

Gross returns as at 30 September 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	-2.01	-0.67	-3.14	0.46	2.70	4.35	6.00
Bloomberg AusBond Bank Bill Index	0.15	0.42	0.52	0.38	0.95	1.68	3.84
Excess return [‡]	-2.16	-1.10	-3.65	0.08	1.75	2.67	2.15

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 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	-2.07	-0.84	-3.79	-0.22	2.00	3.65	5.24
Growth return [†]	-2.54	-1.32	-5.82	-2.48	-0.38	0.19	0.45
Distribution return [‡]	0.47	0.48	2.03	2.26	2.38	3.46	4.80
Bloomberg AusBond Bank Bill Index	0.15	0.42	0.52	0.38	0.95	1.68	3.84
Excess return [‡]	-2.21	-1.27	-4.31	-0.60	1.06	1.96	1.40

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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 -0.84% (net basis) over the September quarter, underperforming the Bloomberg AusBond Bank Bill Index by 127 bps. On a 12-month view, the Fund returned -3.79%, underperforming its benchmark by 431 bps on a net basis.

We made a number of changes to the Fund's tactical asset allocation during the quarter. We further reduced our cash allocation moving further overweight Fixed Income and Diversified Credit where outright yield have become increasingly compelling.

Duration sold-off yet again leading to weak performance within the Real Assets sleeve. The sleeve underperformed the broader market during the period.

Diversified Credit was a strong contributor to performance during the quarter. Spreads were relatively flat over the period, performance was instead driven by strong running yield. Wide spreads and strong underlying yield continue to provide attractive carry.

The sell-off in duration also impacted the Fixed Income sleeve which detracted significantly from performance. However, as yields move higher, the opportunity in the sleeve looks increasingly compelling.

The Reserve Bank of Australia (RBA) raised rates at each of their three September quarter meeting, all of which were in the larger 50 bps increments. The end of September cash rate climbed to 2.35%. It seems likely the RBA are closing in on a point they consider neutral. We remain underweight cash in preference for better yields across other sleeves.

Market review

Leading indicators began to paint a bleak picture of future economic conditions. Consensus has seemingly resigned to the fact we are on the verge of a global recession. Although, importantly, many expect it to be shallow.

During the quarter, markets were fixated on the unfolding economic disaster in the UK. New leader, Liz Truss, unveiled her stimulatory economic plan at the same time inflation surprised to the upside and the Bank of England (BoE) was

raising rates. The plan sent sentiment negative across global markets. Outside of the UK, the US unemployment rate climbed to 3.7% (from 3.5%) which had no effect on the consistent hawkishness of Federal Reserve members.

The Reserve Bank of Australia (RBA) raised rates at each of their three September quarter meeting, all of which were in the larger 50 bps increments. The end of September cash rate climbed to 2.35%. It seems likely the RBA are closing in on a point they consider neutral. A global recession is almost certainly upon us, however, a strong starting point will likely underpin corporate strength throughout the period.

Sector review

Listed Property, Infrastructure and Utilities

Equity markets were flat over the period. After trading well early in the quarter, risk sentiment turned sour following the blow up of UK Gilts. Australian listed property, infrastructure and utilities returned -12.98% over the quarter. Comparatively, the broader S&P/ASX 200 Accumulation Index returned 0.39%.

Hybrids

Hybrid spreads were mixed over the quarter. Tier 1 traded well and Tier 2 trended wider. On a relative value basis, Tier 2 became even more attractive through the period.

Diversified Credit

Corporate credit spreads were relatively flat over the quarter. Strong performance early in the quarter was largely unwound as global sentiment turned negative. While corporates remain reluctant to issue in such a volatile market, deals that launched were well supported. The Australian iTraxx index moved higher over the period, closing at ~141 bps.

Fixed Income

Yields in the Fixed Income sleeve have continued to press higher. There is now significant downside protection in the sleeve given the strong level of running yield. It seems unlikely central banks will raise rates to the level priced by the market.

Cash

The RBA increased the cash rate to 2.35%. We continue to see better value across the Fund's other sleeves at this point in time.

Asset allocation

	Target %*	Neutral position %§	Strategy
A-REITs, Infrastructure & Utilities	15.0	15.0	Neutral
Hybrid and FRNs	15.0	15.0	Neutral
Diversified Credit†	16.0	10.0	Overweight
Fixed interest	30.0	20.0	Overweight
Cash	24.0	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.

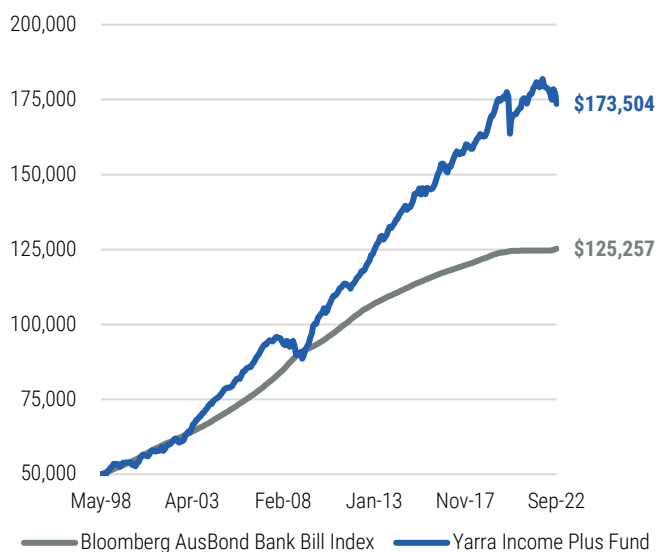
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$79.5 mn as at 30 September 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 September 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

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