

Yarra Income Plus Fund

Gross returns as at 31 December 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	2.58	3.93	7.77	3.46	3.74	4.36	6.12
Bloomberg AusBond Bank Bill Index	0.37	1.06	3.89	1.71	1.40	1.77	3.84
Excess return [‡]	2.21	2.87	3.89	1.75	2.34	2.59	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 December 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	2.52	3.75	7.05	2.77	3.04	3.66	5.36
Growth return [†]	1.50	2.72	3.53	-0.01	0.45	0.31	0.62
Distribution return [†]	1.02	1.03	3.51	2.77	2.59	3.35	4.74
Bloomberg AusBond Bank Bill Index	0.37	1.06	3.89	1.71	1.40	1.77	3.84
Excess return [‡]	2.15	2.70	3.16	1.06	1.64	1.88	1.53

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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 3.75% (net basis) over the quarter, outperforming the Bloomberg AusBond Bank Bill Index by 270 bps. The return was largely driven by the Fund's overweight position to Real Assets (A-REITs, Infrastructure & Utilities), followed by our overweight position in Fixed Income. There were no changes to the Fund's Tactical Asset Allocation positions over the quarter.

A shift in sentiment caused a broad-based market rally across the Real Assets sector. We remain overweight this sector, as we continue to see appeal in its long duration nature, earnings resilience and attractive yields.

Carry again proved to be a significant factor in the Fixed Income sleeve. However, a broader tightening of spreads across the market also saw substantial positive price movement. Our overweight position is maintained as we expect the fixed income sleeve to perform well in a rate cutting cycle.

We retained our overweight position in Diversified Credit and

underweight position in Hybrids. Both positions performed well, however strong carry, particularly in the credit sleeve, should offer substantial downside protection in the current rate environment.

Market review

The quarter started with a tumultuous time in global markets. Conflicts in Gaza drove an initial sell-off, pushing US 10-year yields above 5%. Hawkish commentary from the FMOC, RBA and BoE kept markets wary and saw further rate hikes priced in.

By mid-quarter, stronger evidence of future rate cuts resulting from weaker data and easing geopolitical tensions saw the beginning of a rally that moved into December. US 10-year yields tightened substantially, closing out the year at 3.88%

Locally, the RBA increased the cash rate to 4.35%. However, softer-than-expected November CPI data (4.3% y/y vs. expectations for 4.4%) and weaker employment figures diminish the likelihood of further hikes. The Australian 10-year yield tightened, closing the year at 3.96%.

Sector review

Listed Property, Infrastructure and Utilities

Equity markets trade up over the period. A volatile geopolitical environment was the backdrop for an early sell off in the quarter. However, November and December saw a broad-based rally with December proving to be an extremely strong month for the sleeve. During the quarter the ASX Custom Infrastructure & Utilities Index rose 5.42%, while the A-REIT Index saw a substantial 16.56% rise.

Hybrids

The listed hybrid market saw a slight tightening of spreads over the quarter leading to positive price performance. As markets rallied through December, we saw positive performance across most classes of assets. Carry was also a significant contributor to positive performance for the month.

Diversified Credit

Corporate credit and hybrid spread generally moved tighter. Coupled with higher bond yields, outright returns appeared very attractive by period end. While issuance did slow towards the back end of the quarter due to the Christmas period, more deals are expected as refinancing pressures continue. The Australian iTraxx index tightened 6 bps to 70 bps.

Fixed Income

At the beginning of the quarter yields pushed substantially higher. However, as markets rallied towards the back end of 2023, we have seen Fixed Income assets perform well. We expect this to continue as we move into a rate cutting cycle during the second half of 2024.

Cash

The RBA hiked the cash rate to 4.35% at its meeting in November. Since then, the RBA has remained on hold but has not ruled out further hikes. The sleeve is now offering reasonable returns, making it sustainable to hold while we look for new opportunities.

Asset allocation

	Target %*	Neutral position %§	Strategy
A-REITs, Infrastructure & Utilities	16.5	15.0	Overweight
Hybrid and FRNs	13.5	15.0	Underweight
Diversified Credit†	16.0	10.0	Overweight
Fixed interest	22.5	20.0	Overweight
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.

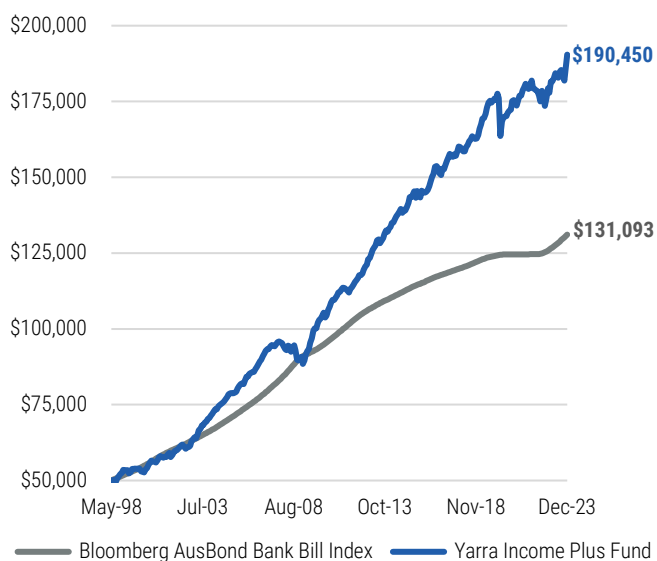
† Effective 25 October 2018 the Fund's asset allocation was modified, with Diversified Credit replacing Global High Yield. Further information in relation to this change can be found [here](#).

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\$80.6 mn as at 31 December 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 December 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.

Website www.yarracm.com

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