

Yarra Enhanced Income Fund

Gross returns as at 30 April 2024

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception [^] % p.a.
Yarra Enhanced Income Fund	0.32	1.73	8.65	5.05	4.91	5.54	6.16
Yarra Enhanced Income Fund (incl. franking)	0.34	1.77	8.81	5.16	5.00	5.87	6.76
RBA Cash Rate [#]	0.35	1.06	4.20	2.20	1.52	1.66	3.26
Excess return [‡]	-0.01	0.72	4.60	2.96	3.47	4.21	3.50

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. Returns inclusive of franking credits are calculated by attributing a cash value to each franking credit, and assuming that amount is re-invested, along with all other distributions. Figures including franking credits should not be relied upon as an exact indication of performance or be compared to returns of other managed funds which do not include amounts for franking credits. The level of franking of distributions may vary.

Net returns as at 30 April 2024

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception [^] % p.a.
Yarra Enhanced Income Fund	0.28	1.59	8.06	4.48	4.27	4.81	5.37
Yarra Enhanced Income Fund (incl. franking)	0.29	1.63	8.21	4.59	4.36	5.14	5.97
Growth return [†]	-0.14	0.39	1.92	-0.01	0.31	0.72	0.00
Distribution return [†]	0.43	1.24	6.29	4.59	4.05	4.42	5.96
RBA Cash Rate [#]	0.35	1.06	4.20	2.20	1.52	1.66	3.26
Excess return [‡]	-0.06	0.58	4.00	2.38	2.84	3.48	2.71

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[^] Inception date Yarra Enhanced Income Fund: June 2003.

[†] Growth returns are measured by the movement in the Yarra Enhanced Income Fund's unit price, ex-distribution. Distribution return is the proportion of the total return which is paid to unitholders by way of distribution. It does not include distribution amounts deemed as capital distributions. Returns inclusive of franking credits are calculated by attributing a cash value to each franking credit, and assuming that amount is re-invested, along with all other distributions. Figures including franking credits should not be relied upon as an exact indication of performance or be compared to returns of other managed funds which do not include amounts for franking credits. The level of franking of distributions may vary.

[#] The RBA Cash Rate is being used for comparative purposes only. The underlying assets of the Fund are of a higher risk profile than cash assets. When comparing performance of the Fund against the RBA Cash Rate, investors should take this into account.

[‡] The excess return figures shown represent the difference between the Fund's return including franking and the RBA Cash Rate.

Portfolio review

The Yarra Enhanced Income Fund returned 0.29% (net basis, including franking) over the month, underperforming its benchmark by 6 bps. On a 12-month view the Fund returned 8.21%, outperforming the RBA Cash Rate by 400 bps (net basis, including franking).

During the month, strong carry contributed most significantly to an overall positive return. Strong demand continued for bank Tier 1 and Tier 2 debt which traded well during the month, driving further spread compression.

During the month we took part in a number of primary deals including the Suncorp Tier 1 deal, Vicinity REIT and Adelaide

Airport senior deals. While demand has remained strong in the market the contraction in spreads has slowed. We expect that outright yields will remain strong in 2024 and continue to actively trade to position for the best possible risk-adjusted returns.

Market review

Globally, government bond yields sold off during the month. Most central banks continued to signal rate cuts with the European Central Bank (ECB) indicating a dovish bias following their meeting early in the month. The Japanese Yen saw weakness in their currency relative to the US dollar late in the month. This came off the back of the end of 8 years of negative interest rates and the inflation rate falling below the

Bank of Japan (BOJ) target rate of 2%. Data from the US highlighted stronger than expected PCE 3.7% q/q (3.4% estimate) and CPI data 0.4% m/m (0.3% estimate), however, the Fed and Chairman Jerome Powell have continued to indicate a dovish bias. The US 10-year yield closed the month 48 bps wider at 4.68%.

Domestically, Australian bond yields followed the rest of the market in selling off. Volatility surrounding data releases dominated headlines and the Reserve Bank of Australia (RBA) kept rates on hold at 4.35%. With CPI figures stronger than expected at 1% q/q (0.8% estimate) traders moved to wipe out any expectations of rate cuts and began pricing in the potential of rate hikes. This reaction to CPI numbers was tempered by the release of weaker retail sales -0.4% m/m (0.3% estimate). The Australian 10-year yield closed the month 45 bps wider at 4.42%.

Both corporate credit and hybrid spreads continued to tighten from strong demand. Issuance slowed from the highs seen in previous months, however, there was still a large amount of activity in primary and secondary markets. Issuance during the month included Suncorp coming to market with a Tier 1 deal and Adelaide Airport issuing a primary deal following strong reception for domestic airport issuance. In early April S&P Global lifted their industry score for the Australian Banking Industry. This resulted in both an upgrade to the ratings for many non-major banks, and an upgrade to major bank Tier 2 & 1 by one notch to A- and BBB. The Australian iTraxx index closed the month 7 bps wider at 71.50.

Outlook

With the RBA keeping rates on hold in May, we continue to follow data releases closely. While the recent CPI numbers led parts of the market to expect a hawkish tone from Michelle Bullock, we believe the underlying make-up of the CPI number in conjunction with weaker retail sales numbers shows inflation trending in the right direction. In our assessment, the RBA will have to wait for more assurance that inflation is going to continue this downward trend before any rate cuts.

Credit spreads have continued to tighten with demand remaining high as investors chase outright yields. Australian credit spreads remain attractive to domestic and foreign investors given the quality of the corporate debt markets. While corporate balance sheets have been in good shape, higher interest rates for longer are likely to start impacting companies going forward. However, strong demand continues to outweigh supply across much of the Australian corporate credit and hybrid market and liquidity in the secondary market remains strong. In this context, we continue to expect further tightening in corporate credit and hybrid spreads.

Portfolio profile

Portfolio characteristics

	Portfolio
Running yield (incl franking credits) (%)	6.30
Option Adjusted Spread	201
Average weighted issue credit rating	BBB+
Average weighted ESG Rating	A+
Estimated yield to maturity (%)	6.15
Fund duration (yrs)	1.50
Spread duration (yrs)	3.64
Number of securities	134
Listed	29
Unlisted	105

Sector allocation

	Portfolio %
Asset Backed	-
Banks	47.11
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Finance	6.71
Energy	3.07
Health Care	1.97
Industrials	8.98
Information Technology	0.33
Insurance	15.70
Materials	0.24
Mortgage Backed	-
Real Estate	4.96
Utilities	5.20
Cash & Other	5.74

Top 10 holdings

Issuer	ISIN	Portfolio %
Macquarie Bank	AU3FN0085171	2.92
ANZ Bank	AU3FN0084026	2.63
National Australia Bank	AU3FN0084828	2.28
National Australia Bank	AU3FN0055224	2.10
HSBC Holdings	AU3CB0307890	2.07
Insurance Australia Group	AU3FN0082640	1.99
Westpac Banking	AU3CB0304376	1.96
Challenger Life Company	AU3CB0292324	1.87
Commonwealth Bank	AU3FN0067989	1.82
Lloyds Banking Group	AU3CB0302115	1.78

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.

Maturity profile

	Portfolio %
Perpetual/Callable	10.02
Callable	74.62
At Maturity	9.62

Security profile

	Portfolio %
Floating rate	58.81
Fixed rate	35.45
Cash & Other	5.74

Credit rating profile

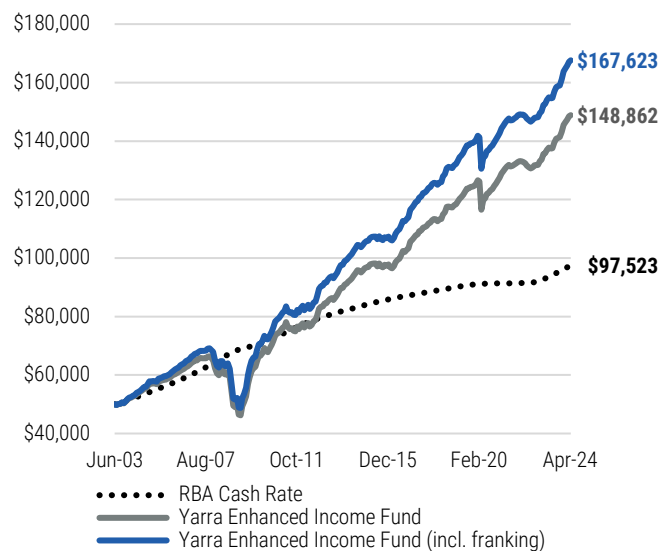
	Portfolio %
AA-	5.74
A+	0.40
A	1.57
A-	19.85
BBB+	22.46
BBB	25.63
BBB-	14.85
BB+	4.43
BB	2.23
BB-	1.70
B+	1.16
B	-
B-	-
Not rated or below	-

Features

Investment objective	To earn higher returns than traditional cash management and fixed income investments (over the medium-to-long term) by investing in a diversified portfolio of fixed income and hybrid (debt/equity) securities.	
Recommended investment time frame	3 – 5+ years	
Fund inception	June 2003	
Fund size	Pooled Fund A\$1,114.6 mn as at 30 April 2024	
APIR code	JBW0018AU	
Estimated management cost	0.55% p.a.	
Buy/sell spread	+/- 0.10%	
Platform availability	Asgard Ausmaq BT Panorama BT Super Wrap GrowWrap Hillross Pcare Hub24 Macquarie Wrap Mason Stevens MLC Wrap Navigator	Netwealth North Oasis OneVue Powerwrap Praemium Pursuit Select uXchange Wealth02 Xplore Wealth

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Enhanced Income Fund, June 2003 to April 2024.



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 RBA Cash Rate is for comparative purposes only. Note that the minimum initial investment amount for the Yarra Enhanced Income Fund is \$10,000.

Applications and contacts

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

Website www.yarracm.com

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Disclaimers

The Yarra Enhanced Income Fund is substantially invested in the Yarra Enhanced Income Pooled Fund ("Pooled Fund"). References in this document to the underlying assets or investments of the Fund generally relate to the assets held in the Pooled Fund.

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