

Yarra Enhanced Income Fund

Gross returns as at 31 August 2024

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception ^A % p.a.
Yarra Enhanced Income Fund	0.75	2.59	9.75	5.93	5.06	5.57	6.23
Yarra Enhanced Income Fund (incl. franking)	0.75	2.62	9.90	6.06	5.13	5.89	6.82
RBA Cash Rate [#]	0.36	1.08	4.32	2.68	1.73	1.72	3.28
Excess return [‡]	0.39	1.54	5.59	3.37	3.40	4.17	3.55

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 31 August 2024

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception ^A % p.a.
Yarra Enhanced Income Fund	0.70	2.45	9.14	5.35	4.44	4.85	5.45
Yarra Enhanced Income Fund (incl. franking)	0.71	2.47	9.30	5.48	4.51	5.17	6.03
Growth return [†]	0.31	1.10	3.38	0.59	0.24	0.66	0.07
Distribution return [†]	0.40	1.37	5.92	4.88	4.27	4.51	5.96
RBA Cash Rate [#]	0.36	1.08	4.32	2.68	1.73	1.72	3.28
Excess return [‡]	0.35	1.40	4.98	2.79	2.78	3.45	2.76

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^A 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 0.71% (net basis, including franking) over the month, outperforming its benchmark by 35 bps. On a 12-month view the Fund returned 9.30% (net basis, including franking), outperforming the RBA Cash Rate by 498 bps.

During the month we decreased our duration position slightly as we took profit from the movement in rate expectations. With some marginal spread tightening we saw some capital pick up in the portfolio with non-bank issuers enjoying most of the spread movement. Income continued to remain a strong contributor to overall portfolio performance as well as continuing to provide strong downside protection.

As issuance trended higher again during the month we were active in primary markets. We took part in Transurban's Senior deal along with taking part in foreign financial Tier 2 AUD deals from BNP and Lloyds Bank. We further increased our exposure to Tier 2 through the Macquarie Bank deal and took part in the Macquarie Group Tier 1. We continue to actively trade position targeting the best available risk adjusted returns.

Market review

Despite indications at the beginning of the month of a potential global risk off event, markets quickly recovered. Tensions are still high in the Middle East, however, the risk that the Israel/ Hamas conflict escalates appears to be dissipating. At the beginning of the month the Federal Open Market

Committee (FOMC) kept rates on hold and the Bank of England (BoE) lowered rates by 25 bps to 5%. Towards the end of the month, we saw the first signs of easing from the Reserve Bank of New Zealand (RBNZ) with a 25 bps cut to a rate of 5.25%. While movements from Central Banks may have been limited, markets have continued to price further cuts into the curve with almost four rate cuts priced in for the US before the end of the year. The US 10-year yield continued to tighten to 3.92%.

The Reserve Bank of Australia (RBA) kept interest rates on hold during the month. While CPI has been trending in line with forecasts the RBA governor Michelle Bullock has kept firm in her reluctance to indicate any timing of rate cuts. Recent data is suggesting rate increases are having the desired effect with seasonally adjusted unemployment rising to 4.2% (y/y) and Retail Sales remaining flat month to month. Off the back of weakening employment data, the market is still pricing in rate cuts before the end of the year, however, CPI figures will remain the key to timing. The 3-year yield rallied to 3.54% which drove some front-end steepening of the curve. The 10-year yield rallied 15 bps to 3.98%.

The month of August saw the bulk of company reporting completed. With largely strong performances from investment grade companies and in the absence of any major downgrades or unexpected earnings misses, spreads have continued to grind tighter. Demand for quality names has remained high with deals oversubscribed and margin tightening on issuance. We continue to look for weakness in corporate names as the impact of higher for longer interest rates continue to impact the broader economy. The Australian iTraxx tightened to 61 bps.

Outlook

With the RBA remaining steadfast in its goal to reduce inflation into its target band of 2-3% we expect that rates will likely be held steady in September. Michelle Bullock was firm in her press conference last month suggesting that there will be no rate cuts in the near term, however, given the unreliability of forecasting we expect that this rhetoric could change quickly. We expect economic data to continue to weaken over the near term as the impact of higher rates continues to flow through to consumers and the employment market.

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. Post reporting season balance sheets have remained strong. With some slight weakness in REITs and companies lower down the credit spectrum showing some cracks we expect demand to outweigh supply for investment grade credit. 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) (%)	6.13
Option Adjusted Spread	198
Average weighted issue credit rating	BBB+
Average weighted ESG Rating	BBB+
Estimated yield to maturity (%)	5.47
Fund duration (yrs)	1.03
Spread duration (yrs)	3.69
Number of securities	155
Listed	32
Unlisted	123

Sector allocation

	Portfolio %
Asset Backed	-
Banks	49.05
Communication Services	-
Consumer Discretionary	-
Consumer Staples	-
Diversified Finance	7.16
Energy	2.52
Health Care	1.98
Industrials	10.64
Information Technology	0.26
Insurance	13.77
Materials	0.17
Mortgage Backed	-
Real Estate	3.66
Utilities	4.13
Cash & Other	6.67

Top 10 holdings

Issuer	ISIN	Portfolio %
ANZ Banking	AU3CB0311561	2.68
Westpac Banking	AU3CB0304376	2.48
Insurance Australia Group	AU3FN0082640	2.03
Macquarie Bank	AU3FN0085171	2.02
BNP Paribas	AU3FN0090353	1.80
Westpac Banking	AU3CB0311140	1.76
Lloyds Banking Group	AU3FN0090866	1.63
National Australia Bank	AU3FN0084828	1.58
Ampol Limited	AU3FN0064739	1.52
HSBC Holdings	AU3CB0307890	1.51

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	7.84
Callable	73.32
At Maturity	12.17

Security profile

	Portfolio %
Floating rate	53.88
Fixed rate	39.46
Cash & Other	6.67

Credit rating profile

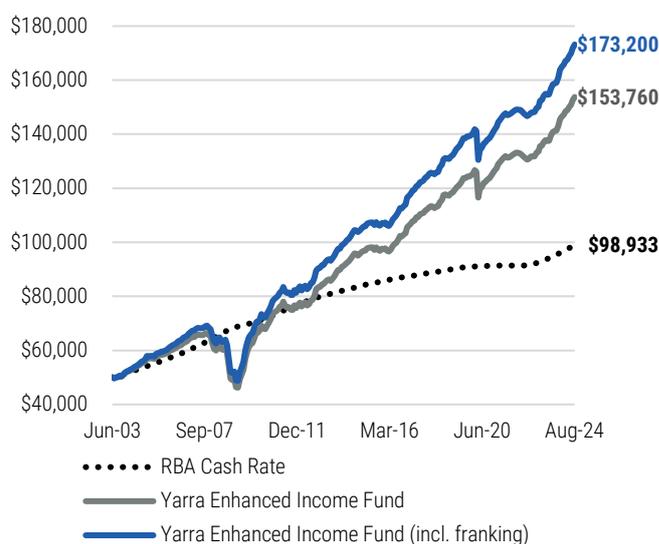
	Portfolio %
A+	0.29
A	1.15
A-	25.06
BBB+	19.15
BBB	26.05
BBB-	12.31
BB+	4.40
BB	2.28
BB-	1.19
B+	1.45
B	-
B-	-
Not rated or below	-
Cash and Derivatives	6.67

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\$1,594.4 mn as at 31 August 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 WealthO2 Xplore Wealth

Investment performance comparison of \$50,000

After fees, since inception of the Yarra Enhanced Income Fund, June 2003 to August 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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