

NIKKO AM GLOBAL SHARE FUND

Fund Update

Fund Performance

	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Inception
	(%)	(%)	(%)	(%)	p.a. (%)	p.a. (%)	p.a. (%)	p.a. (%)
Fund growth return	-5.07	-1.10	-0.91	17.43	19.88	17.80		
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.01		
Total Fund return (net) [#]	-5.07	-1.10	-0.91	17.43	19.88	17.80	17.64	8.74
Benchmark*	-1.87	2.89	4.00	23.31	16.75	14.34	15.98	7.54
Excess return	-3.19	-3.99	-4.90	-5.88	3.13	3.47	1.65	1.20

Source: BNP Paribas. Fund growth return is the change in redemption prices over the period. Fund distribution return equals total Fund return minus Fund growth total return. Total Fund returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Past performance is not an indicator of future performance. Inception date: November 1995.

In July 2015, the Fund was restructured from a global equities multi-manager strategy to gaining this exposure by investing in the Nikko AM Global Equity Fund (Underlying Fund) (a sub-fund of the Nikko AM Global Umbrella Fund which is an open ended investment company registered under Luxembourg law as a societe d'investissement, a capital variable).

* Benchmark: MSCI All Countries World Index (with net dividends reinvested) expressed in Australian Dollars (unhedged). The Fund gains exposure to global equities by investing in the Nikko AM Global Equity Fund (underlying Fund)1. Prior to 18 August 2016 MSCI All Countries World Ex-Australia Index (with net dividends reinvested) expressed in AUD (unhedged). Prior to 15 July 2015 the Benchmark was the MSCI World ex-Australia Index (with net dividends re-invested) expressed in AUD (unhedged). Prior to 1 October 2005, the index was the MSCI World Index (net dividends reinvested) expressed in AUD (unhedged).

Performance Commentary

The Fund underperformed the benchmark over the month.

Key contributors to relative performance:

- **Progressive Corp** outperformed this month on little stock specific news. The insurance sector generally enjoyed a good month as bond yields have moved higher.
- **Deere & Co** contributed to performance. Agricultural commodity prices have generally been firm in January. With corn prices well known to have a strong impact on investment decisions made by farmers, this should bode well for continued strong demand for the products and services offered by the company, leading to outperformance during the month.
- **Global Payments** recovered some of the ground lost in recent months in January. Share price weakness last year had seen the stock de-rate to very attractive valuation levels. With big payments peers like Visa and Mastercard publishing strong earnings updates, this was enough to see the shares push higher and outperform a weak equity market.

Key detractors from relative performance:

- **Bio-Techne** and **Masimo** both corrected more than 25% in January. There was no stock specific news behind these moves, with both stocks yet to report their latest quarterly earnings. However both stocks had relatively high valuations coming into the year leaving them very exposed to the abrupt shift in sentiment seen in January.
- **Accenture** also underperformed, caught up in January's market rotation, falling by 17%. This fall saw the shares give up all of the gains made in Q4 last year, on the back of a much stronger than expected sales and earnings outlook.

Country/ Regional Exposure

Country/Region	Fund %	Benchmark %
United States	72.13	60.83
Japan	3.17	5.54
China	1.71	3.69
United Kingdom	3.91	3.72
Canada	0.00	3.02
Europe ex UK	8.32	12.39
Asia Pacific ex China & Japan	8.34	8.07
Emerging Europe, Middle East, Africa	0.00	1.89
Latin America	0.00	0.85
Cash	2.42	0.00
Total	100.00	100.00

Top 10 Holdings - Underlying Fund

Company	Fund %	Benchmark %	Country
Microsoft Corp	7.03	3.32	United States
Taiwan Semiconductor	3.63	0.84	Taiwan
Amazon.com	3.53	2.04	United States
Accenture plc	3.41	0.34	United States
Compass Group plc	3.29	0.06	United Kingdom
Abbott Laboratories	3.24	0.34	United States
Sony Group Corp	3.17	0.21	Japan
Adobe Inc	3.16	0.38	United States
Emerson Electric Co	3.00	0.08	United States
Coca-Cola Co	2.93	0.37	United States

Market Commentary

January was the month when investment markets started to take seriously the potential implications of a change in monetary policy direction – particularly in the US. Bond yields jumped as inflationary pressures showed little signs of abating and equity market volatility spiked. The MSCI All Countries World Index (ACWI) ended January with a return of -1.87% (AUD, unhedged).

January saw a meaningful style rotation within the market. Long duration, high growth companies suffered as increased interest rate expectations fed into higher discount rates. This was a particular headwind for the information technology and healthcare sectors and these were among the worst performing sectors this month. Traditional value sectors held up better, with both banks and energy outperforming – likely helped by lower starting valuations and lower levels of investor positioning – as well as some additional support from macroeconomic factors. Although healthcare underperformed, some defensive sectors fared better. Both consumer staples and utilities outperformed – speaking to investor demand for some downside protection, in case the Federal Reserve’s monetary tightening leads to a slowing in economic activity.

Regionally speaking, the UK was once again one of the best performers – benefitting from their relatively cheap valuation and high exposure to banking, energy and mining shares. Emerging Asia also outperformed – helped by Chinese liquidity injections. The US underperformed, due to the aggressive profit taking seen in the technology sector and in consumer discretionary index heavyweights.

Market Outlook and Strategy

It is distinctly possible that the current rotation out of growth stocks into value may have further to run – particularly if bond yields continue to be driven higher by rising energy and wage costs, at the same time as the Fed is reducing the supply of government bonds. We think it is likely, however, that future periods of rotation will be more measured and that stocks may once again be judged on their own merits, rather than whether they are deemed growth or value, COVID-19 winners or losers or cyclical or defensive.

January was a difficult month for the Fund and we are continuing to lean heavily on the investment philosophy and process that have served us well for a decade. We believe it is highly likely that just having a slick-sounding strategy and strong potential revenue growth will not be enough to drive a company’s share price higher from here. What happens further down a company’s financial statement has always been and remains more important

to us. We want growth to be delivered in a self-sustaining, cash generative fashion and not yet reflected in the company’s valuation. Growth at a reasonable price (GARP) can look a bit pedestrian when hyper-growth is in fashion (or deep value for that matter), but we are confident that it will deliver attractive long-term returns for the Fund. We just need to make sure that we are confident in the growth and are on the right side of what the market defines as ‘reasonable’ in a world where the monetary policy picture is shifting.

Sector Exposure

Sector	Fund %	Benchmark %
Communication Services	1.66	8.52
Consumer Discretionary	16.55	12.00
Consumer Staples	6.37	6.92
Energy	0.00	4.04
Financials	13.75	14.79
Health Care	20.06	11.36
Industrials	14.08	9.46
Information Technology	23.26	22.77
Materials	0.00	4.74
Real Estate	1.87	2.67
Utilities	0.00	2.74
Cash	2.42	0.00
Total	100.00	100.00

Fund Objective

The Fund aims to achieve capital growth over the long term, with total returns (before fees) 3% above the MSCI All Countries World ex-Australia Index (with net dividends re-invested) expressed in Australian Dollars (unhedged) over rolling three-year periods.

Key Facts

Responsible Entity

Yarra Investment Management Limited

APIR Code

SUN0031AU

ARSN

092 026 269

Fund Size

AUD \$199.0 million

Minimum Investment

AUD 10,000

Buy/Sell Spread

0.20%/0.20%

Distribution Frequency

Quarterly

Contact Us

Yarra Investment Management Limited

Level 26, One International Towers Sydney
 100 Barangaroo Avenue, Barangaroo NSW 2000, Australia
 Phone: 1800 251 589
 Fax: +61 2 8072 6304
 Email: sales.au@yarracm.com

Important Information

This material was prepared by Yarra Investment Management Limited ABN 34 002 542 038, AFSL 229664 (YIML) who is the responsible entity and issuer of units in the Nikko AM Global Share Fund ARSN 092 026 269 (Fund). The information contained in this material is of a general nature only and does not constitute personal advice. It is for the use of wholesale clients, researchers, licensed financial advisers and their authorised representatives only. It does not take into account the objectives, financial situation or needs of any individual. Investors should consult a financial adviser as well as the information contained in the Fund’s current Product Disclosure Statement (PDS) and the ‘Additional Information to the PDS’ which are available at www.yarracm.com/pdsupdates before deciding to invest in the Fund. Applications will only be accepted if made on a current application form. An investment in the Fund is not a bank deposit and distributions and the return of capital are not guaranteed. Past performance is not an indicator of future performance. Any references to particular securities or sectors are for illustrative purposes only and are as at the date of publication of this material. This is not a recommendation in relation to any named securities or sectors and no warranty or guarantee is provided that the positions will remain within the portfolio of the Fund.