

NIKKO AM NEW ASIA FUND

Fund Update

Fund Performance

	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	2 Years p.a. (%)	3 Years p.a. (%)	5 Years p.a. (%)	Since Inception p.a. (%)
Fund growth return	-1.08	-9.58	-16.08	-23.67	-13.02	-2.98	0.96	3.58
Fund distribution return	0.00	5.70	5.29	4.81	11.46	9.52	6.05	2.97
Total Fund return (net)	-1.08	-3.88	-10.79	-18.85	-1.57	6.53	7.01	6.56
Benchmark	1.78	-1.28	-7.49	-16.56	-0.35	3.24	4.51	7.00
Excess return	-2.86	-2.60	-3.30	-2.30	-1.22	3.30	2.50	-0.44

Source: BNP Paribas. Net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Distribution return equals Total Fund (Net) minus Growth return. Past performance is not an indicator of future performance. Benchmark: MSCI All Country Asia ex Japan Index. Inception date: 24 November 2005.

The Fund underperformed the benchmark during the month in AUD terms.

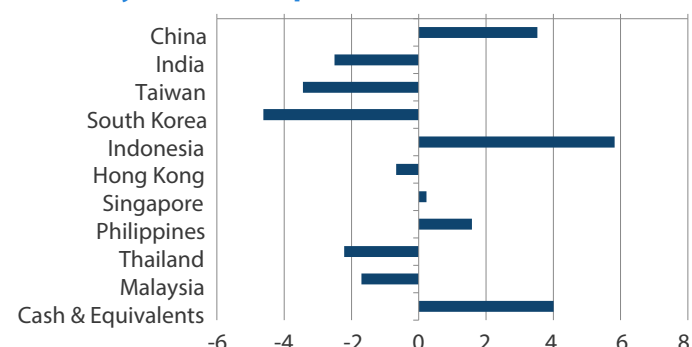
Key contributors to relative performance:

- At the sector level, **financials** contributed to performance.
- At the country level, an overweight allocation to **Indonesia** contributed to performance.
- Indonesia's **Bank Central Asia** outperformed after the company revised up its loan growth guidance along with a good set of results.
- Chinese internet company **Baidu** also contributed, reversing losses from last month as the company continued to gain share in its cloud business and received licenses to operate fully driverless robotaxi services in Wuhan and Chongqing.

Key detractors from relative performance:

- At the sector level, our holdings in **industrials, information technology** and **healthcare** detracted from performance.
- At the country level, China and India were the main detractors of the month.
- Chinese cosmetics company **Proya Cosmetics**, a strong performer for the year, saw some profit taking over the month.
- Waterproof service system company **Beijing Oriental Yuhong** was also under pressure due to concerns about further weakness in the Chinese property market.

Country Active Exposure (%)



Country Exposure

Sector	Fund %	Index %	Relative %
China	39.74	36.21	3.53
India	13.85	16.35	-2.51
Taiwan	13.03	16.47	-3.44
South Korea	8.45	13.07	-4.62
Indonesia	8.05	2.23	5.82
Hong Kong	6.66	7.33	-0.67
Singapore	3.79	3.56	0.23
Philippines	2.43	0.85	1.58
Thailand	--	2.22	-2.22
Malaysia	--	1.71	-1.71
Cash & Equivalents	4.01	--	4.01
Total	100.00	100.00	0.00

Top 10 Holdings

Name	Fund %
AIA Group Ltd	6.66
Taiwan Semiconductor - SP ADR	6.24
Samsung Electronics Co Ltd	4.85
Reliance Industries	4.27
Bank Central Asia	3.85
Baidu Inc	3.80
Tencent Holdings Ltd	3.61
Kotak Mahindra Bank	3.21
JD.com Inc.	3.00
DBS Group Holdings	2.75

Market Commentary

The MSCI AC Asia ex Japan Index recovered from a negative July, remaining flat at 0.0% in US dollar (USD) terms. US inflation remained at a high level, with July's CPI print of 8.5% year-on-year, prompting the US Federal Reserve (Fed) to continue its rate hikes. The pressure for further rate hikes is exacerbated by tight labour market conditions, with increased job openings in July and two jobs available for every unemployed person.

The North Asian region was weighed down by foreign currency effects, with Hong Kong being the weakest performer at -3.5% in USD terms as its GDP contracted for a second quarter y-o-y due to extended COVID-19 restrictions. South Korea was the second biggest laggard at -3.3% as consumer inflation peaked at 6.3% higher in July y-o-y. The country responded by raising the benchmark policy rate by 25 basis points (bps) while lifting inflation forecasts and warned that economic growth could wane. In Taiwan (-1.3% in USD terms), exports rose 14.2% y-o-y in July, slightly lower than the 15.2% growth in June. China progressed by 0.2%, despite its CPI rising 2.7% in July y-o-y in the face of three rate cuts and slowing revenue growth in the first half of 2022. With a fall in profits for industrial firms, and the country's largest banks reporting an increase in bad debts linked to the property sector, China continues its attempts to rev up its weakening economy with a further 1 trillion yuan of funding from its State Council. Towards the end of the period, with an agreement for cooperation on the inspection of audit work papers of US-listed Chinese companies signed, market sentiment improved as the risk of delisting for American depository receipts was reduced.

Singapore (-1.8%) lagged as it adjusted its GDP forecast for 2022 downwards to 3% to 4%, from 3% to 5%, as its core inflation rate hit 4.8% in July y-o-y, its fastest pace in more than 13 years. Neighbouring countries Malaysia and Indonesia gained 0.5% and 5.2% respectively as GDP expanded by 8.9% and 5.4% correspondingly y-o-y due to increases in demand and strong exports. Indonesia also raised its interest rates by 25 bps, its first rate hike in four years, to tackle inflation and prevent excessive capital outflows. The Philippines gained 2.7% as its president requested a USD 94.4 billion government budget in 2023 to boost growth and alleviate poverty. Gains were capped as rates were hiked by 50 bps to cool inflation. Thailand (5.6%) was the largest outperformer despite a 25 bps rate hike. Thailand outperformed on the back of positive forecasts—export growth was revised upwards to 6% to 8% for 2022, and its economy is expected to continue growing as tourism picks up.

India saw an upswing of 4.1% as rate-sensitive banking, metals and automobile stocks climbed due to a rate hike in the key policy rate and cooling oil prices. The fall in crude oil prices also contributed to a dip in India's consumer inflation to 6.7% in July, spurring positive market sentiment.

Sector Exposure

Sector	Fund %	Benchmark %
Information Technology	22.82	21.91
Financials	21.33	20.29
Health Care	10.82	3.96
Communication Services	10.42	10.12
Industrials	8.28	6.82
Consumer Discretionary	7.29	15.16
Materials	4.82	5.39
Energy	4.27	3.87
Consumer Staples	2.66	5.37
Real Estate	1.74	3.82
Utilities	1.54	3.30
Cash & Equivalents	4.01	--
Total	100.00	100.00

Fund Objective

To outperform the MSCI All Country Asia ex Japan Index (in Australian dollar terms) over the long term after fees and expenses but before taxes.

Key Facts

Responsible Entity Yarra Investment Management Limited	Buy/Sell Spread 0.25/0.25
APIR Code TGP0006AU	Asset Allocation Asian securities (ex Japan)* 80 – 100
ARSN 116 556 113	Cash & short-term securities** 0 – 20
Fund Size AUD 15.51 million	Distribution Frequency Annually
Minimum Investment AUD 10,000	Benchmark MSCI All Country Asia – ex Japan Index (in Australian Dollar terms)

* Investments in Asian securities include ADRs and GDRs of Asian domiciled companies listed in the US and Europe.

** Investments in cash includes cash equivalents such as other investment grade interest bearing securities.

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