YARRA CAPITAL MANAGEMENT

Investment Commentary
Month to 31 December 2023

Yarra Global Share Fund

Net returns as at 31 December 2023

	1 month %	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Global Share Fund#	2.00	2.91	0.55	11.39	5.64	12.53	12.07	8.15
MSCI All Countries World Index^	1.84	5.02	4.63	21.45	10.17	12.41	11.06	7.31
Excess Return‡	0.17	-2.11	-4.08	-10.06	-4.54	0.12	1.00	0.84

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 prepared on an exit to exit basis – they include all ongoing fees and expenses and assume reinvestment of all distributions.

* Inception date of Yarra Global Share Fund: November 1995.

Effective 20 March 2023, the Fund was renamed from the Nikko AM Global Share Fund to the Yarra Global Share Fund. There was no change to the Fund's investment team, philosophy or process. The Fund gains exposure to global equities 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).

‡ Excess return: The excess return figures shown represent the difference between the Fund's return and the benchmark.

Portfolio review

The Fund returned 2.00% (after fees) in December, to outperform the Index return of 1.84% by 17 basis points (bps). Over the longer term (10 years), the Fund's return of 12.07% per annum (p.a.) is 100 bps p.a. ahead of the Index return of 11.06% p.a.

Key contributors to relative performance:

- Bio-Techne Corporation shares recovered, in-line with other biotech stocks, as investors flocked to riskier corners of the market. Life Sciences & Tools' stocks have had a challenging 2023 and we are yet to see strong signs that the tide is turning on inventory destocking and the funding environment. However, we believe that when the environment does improve, Bio-Techne will be best-positioned within the space to deliver outperformance.
- Broadcom Inc. outperformed after publishing solid 4Q23 earnings. AI is proving to be a strong tailwind for the business, helping to offset some ongoing pressures in the core business. The recent VMWare acquisition will make the business more diversified and software-orientated, further supporting the company's steady yield merits.
- Hexagon AB continued to outperform following its capital markets day, it became evident that the company's medium-term guidance is conservative, paving the way for potential upgrades in 2024. Management delivered a clear view on the growth strategy, introduced new reporting divisions and plans to increase communication with the market. These actions also echo the steps taken over the last 6 months at Hexagon to improve corporate governance.
- Masimo Corporation shares continued to rise following the International Trade Commission's October ruling in favour of the company regarding patent infringement of its pulse oximetry technology by Apple. The Commission decided to ban the import and sale of the Apple Watch Series 9 and Ultra 2 models in the United States. However, on 27th December, the US Court of Appeals paused the ban on Apple products. The outcome of the litigation is yet to be determined; Masimo believes it has a strong case and is looking for an ongoing business agreement with Apple, not just a lump sum settlement.
- Samsonite International S.A. recovered after underperforming last month and received a welcome boost mid-month when it received an upgrade by the rating agency S&P. There remains significant upside for the shares as 2024 growth plans remain intact and management consider increasing shareholder distributions and a dual listing in either Europe or the US.

Key detractors from relative performance:

- Synopsys, Inc. underperformed on news that the company was in talks to acquire Ansys in 2024. Investors are concerned that Synopsys could overpay for the engineering-software company. While the discussions are ongoing, there is a possibility that they might not reach fruition, and alternative bidders could enter the scene.
- Palomar Holdings, Inc. & Ryan Specialty Holdings, Inc., along with other Insurance players, were negatively impacted by the rotation into banks in December. The manager does not see any structural challenges to their investment theses here and continue to believe that both companies are well-positioned to deliver growth over the long term.
- Microsoft Corporation gave back some of the gains it had made in the prior month, which saw strong quarterly results including continued growth in the Office commercial business and better-than-expected growth in Azure, driven by AI consumption and market share gains. December saw the New York Times sue Microsoft and OpenAI for alleged copyright infringement, a negative

catalyst for the shares. The outcome of this case is yet to be determined, and it is likely that we will see other data owners bring lawsuits to the fore; however, we believe Microsoft is well-positioned to navigate this environment.

- Haleon PLC shares continued to tread water, underperforming the broader markets. The stock's performance was similar to other consumer staples, which lagged higher beta cyclical sectors. No new developments or material updates were reported regarding the company.
- Schlumberger N.V. underperformed despite reporting strong quarterly results earlier in the quarter. The oil price has drifted lower as the conflict in the Palestine has not escalated as feared and OPEC has struggled to agree on any additional production cuts. Despite this, the manager feels that the multi-year outlook for Schlumberger remains compelling, based on the level of investment required to guarantee energy security.

Market review

The final month of 2023 delivered a welcome Christmas present for investors. After a reality check mid-year, the last three months of the year saw strong returns amid growing excitement that central banks will cut interest rates sooner in 2024 than previously anticipated, resulting in what is commonly referred to as a Santa Rally. The feel-good factor was rubber stamped in December, when conclusions from the Fed meeting suggested we had in fact reached peak rates.

The MSCI AC World Index delivered almost 2% (AUD, unhedged) in December with all sectors delivering positive returns (in USD terms). The best performing sector this month was real estate, which recovered some of the prior year losses in the face of rising rates. Industrials, materials and financials also outperformed, partly due to a falling US Dollar. The worst performing sector by far was energy, which retraced prior months' gains on the back of falling crude and natural gas prices. The recent deterioration in the energy complex is particularly surprising given the escalation in Middle East hostilities.

Leading regions included Australia & Canada, largely due to their composition and in particular their exposure to materials-based sectors. Emerging markets also fared well as the falling US Dollar helped support these regions. Despite this, Asia was the worst performing region as the ripple effect from China's weak post COVID-19 recovery continues to dampen investor optimism about a much hoped for, but long time coming, cyclical bounce. Japanese equities also slightly underperformed as it remains less clear if the Japanese central bank will support markets.

Country / regional exposure

	Fund %	Benchmark %
United States	63.49	62.57
Japan	4.85	5.40
China	0.00	2.79
United Kingdom	8.74	3.55
Canada	0.00	2.87
Europe ex UK	6.03	12.20
Asia Pacific ex China & Japan	14.31	8.13
Emerging Europe, Middle East, Africa	0.00	1.50
Latin America	0.00	0.99
Cash	2.59	0.00

Sector exposure

	Fund %	Benchmark %
Communication Services	6.70	7.34
Consumer Discretionary	13.30	11.08
Consumer Staples	6.86	6.76
Energy	3.53	4.54
Financials	14.34	15.93
Health Care	17.36	11.24
Industrials	7.25	10.64
Information Technology	26.11	22.93
Materials	1.97	4.53
Real Estate	0.00	2.38
Utilities	0.00	2.62
Cash	2.59	0.00

Top 10 holdings (underlying Fund)

	Portfolio %	Benchmark %	Country
Microsoft Corp	7.50	3.95	United States
NVIDIA Corp	4.01	1.82	United States
Meta Platforms	3.48	1.17	United States
Netflix, Inc.	3.23	0.32	United States
Compass Group plc	2.83	0.07	United Kingdom
Haleon plc	2.75	0.03	United Kingdom
Broadcom Inc.	2.70	0.74	United States
HOYA Corp	2.64	0.07	Japan
Taiwan Semiconductor Manufacturing Co.	2.62	0.71	Taiwan
Accenture plc	2.60	0.33	United States

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.

Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	11.39	5.64	12.53	11.00
Distribution return	0.00	0.00	0.00	1.06

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.

Features

Investment 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.	
Recommended investment time frame	5+ years	
Fund inception	November 1995	
Fund size	A$286 million as at 31 December 2023	
APIR code	SUN0031AU	
Estimated management cost	0.99% p.a.	
Buy/sell spread	+/- 0.15%	
Platform availability	AMP North Asgard BT Panorama Hub24 Macquarie Wrap MLC Navigator MLC Wrap	Netwealth OneVue PortfolioCare Praemium uXchange Wealth02 Xplore Wealth

Applications and contacts

Investment into the Yarra Global Share Fund can be made by Australian resident investors only.

Website www.yarracm.com

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