

Yarra Global Share Fund

Net returns as at 31 January 2024

	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#	5.67	11.40	6.52	16.57	7.74	12.90	12.84	8.33
MSCI All Countries World Index^	3.83	10.29	6.09	22.26	11.52	12.34	11.61	7.43
Excess Return‡	1.84	1.11	0.43	-5.69	-3.78	0.56	1.23	0.91

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 société 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 5.67% (after fees) in January, to outperform the Index return of 3.83% by 184 basis points (bps). Over the longer term (10 years), the Fund's return of 12.84% per annum (p.a.) is 123 bps p.a. ahead of the Index return of 11.61% p.a.

Key contributors to relative performance:

- **NVIDIA Corporation, Microsoft Corporation and Meta Platforms Inc.** all outperformed in January. The correlation between technology stocks was strong as investors became increasingly convinced that 2024 would be the year of AI adoption. Microsoft's results at month end illustrated that companies across all sectors are embracing the leading AI players' technologies to improve their business practices. For example, Walmart, the beating heart of American retail, is deploying Microsoft's AI capabilities to improve and personalise the online shopping experience. These technology companies are also leveraging their AI capabilities to enhance their own performance – for example, Meta's AI investments are driving increased user engagement on Instagram. NVIDIA, as the leading provider of hardware for these AI solutions, is reaping the rewards of this substantial wave of adoption.
- **Netflix Inc.** shares performed strongly after the company published results that validated the thesis that monetising non-paying users can expand the revenue opportunity at an improved margin. This should lead to further increases in return on capital – aided by industry peers raising prices and addressing login sharing.
- **Progressive Corporation** outperformed on the back of strong monthly results in December, which exhibited the lowest incurred claims frequency in at least 20 years due to underwriting actions, mix shift and mild weather. This drove a much better-than-expected underlying loss ratio. The expense ratio also remained very low. This strong

positioning should enable Progressive to invest in advertising spend this year to drive growth and market share gains.

Key detractors from relative performance:

- **HDFC Bank** underperformed following disappointing quarterly results. The Indian bank and its peers have seen weaker deposit growth which has led the bank to raise savings rates to attract further deposits, thereby reducing their net interest margins and profitability for the next few quarters. Despite this, the manager continues to see HDFC Bank as a Future Quality company that will deliver an improvement in CFROI as the macro environment eases.
- **Samsonite International S.A.** struggled to perform after data indicated that growth in its US and European markets is now normalising following the reopening and business recovery in China is going to take longer than initially anticipated. Despite this, management is maintaining its sales growth targets for 2024 and has reaffirmed plans to distribute dividends to shareholders.
- **Bio-Techne Corporation** gave back some of the gains it made in December, when the stock rallied on expectations of an improved outlook for bioprocessing and life sciences. Commentary at the JP Morgan Conference in January, and recent results from peers such as Danaher, suggest that early signs of improvement are emerging but the path to recovery will be more gradual than initially expected.
- **Hexagon AB**, a industrial technology company, retraced some of the gains it made towards the end of 2023, when the stock rallied in-line with the broader Technology sector. Slower organic sales growth and limited profit growth are weighing on the shares. Despite this, we see Hexagon as an attractive business, with dominant market positions in key niches.
- **DBS Group Holdings** underperformed, despite the financial

services company continuing to deliver a good return on equity (ROE) and very good asset quality, investors remain concerned over the growth outlook for the economy as a whole and the potential for deteriorating asset quality that this may entail.

Market review

Unsurprisingly, equity markets commenced the year in weak fashion, giving up some of the healthy fourth quarter gains and partially retracing 2023's Santa rally. However, by mid-January, markets rebounded, buoyed by economic data which fuelled hopes for a 'soft landing'. Investors turned their attention to positive trends in the information technology sector and economic tailwinds from future falling interest rates. This optimism was somewhat tempered at the end of the month when the Federal Reserve adopted a less dovish stance at its January meeting. Chairman Powell, pushed back on dovish market pricing for rate cuts and explicitly noted that a March cut seems unlikely. Despite this, the MSCI All Countries World Index managed to rise 3.83% in Australian dollar terms over the month.

Japan's equities market continued its strong performance and stood out as the best-performing market, maintaining the robust trend observed last year. This was despite concerns about the impact from the New Year's Day earthquake and markets reassessing the likelihood of a change to Japan's negative interest rate policy soon.

In the US, the S&P 500 & Nasdaq 100 Indices reached new highs as optimism around a 'soft landing' scenario continued to drive markets. A robust job report, steady unemployment figures and better than expected GDP (3.3% annualized) helped support the soft-landing thesis, while also suggesting interest rates may need to remain high for longer than anticipated, given the underlying strength of the economy.

Europe (ex UK) also delivered positive returns; the European Central Bank kept rates on hold at its January meeting and reiterated its commitment to remain data-dependent while UK equities stalled in January. Investors across the Continent & British Isles continue to hope that a recovery isn't far away.

While all things artificial intelligence (AI) drove markets higher, the underperformance from all things linked to China was just as stark. This was a continuation of performance in 2023, as the Chinese domestic economy continued to struggle, with disappointing retail sales and further deterioration in housing activity. Fourth quarter GDP grew 5.2% year-on-year, in line with expectations, but still historically weak. Although the People's Bank of China announced several stimulus measures, it was not the policy 'bazooka' markets were hoping for to re-ignite activity leading to a fall in both Hong Kong and Emerging Asia.

Over the month, growth stocks proved more resilient than their value counterparts. Part of the reason for this was the continued outperformance of all things AI. The information technology sector was again the best performing sector closely followed by communication services. What was

different from fourth quarter 2023 was the strong performance in the healthcare sector.

The worst performing sector was materials, despite the US dollar rising sharply. Real estate also fell, with utilities managing to eke out a meagre return. The other sector to materially underperform the broader market was consumer discretionary on the back of weak trading updates across regions, and poor trading from the second largest company in the sector, Tesla Inc.

While the performance of the energy sector was lukewarm – neither good nor bad – the sector was never far from headline news as the Middle East conflict escalated across the region and towards the Red Sea shipping route. The US President's Office halted further development of future LNG exports while Saudi Aramco pulled their oil expansion ambitions by announcing a cut to future capex. As elections approach, politicians across the world – and especially in the US – will be hoping energy prices remain low for the rest of the year.

Country / regional exposure

	Fund %	Benchmark %
United States	65.56	63.16
Japan	4.94	5.62
China	0.00	2.48
United Kingdom	7.67	3.53
Canada	0.00	2.83
Europe ex UK	5.67	12.11
Asia Pacific ex China & Japan	12.98	7.86
Emerging Europe, Middle East, Africa	0.00	1.48
Latin America	0.00	0.94
Cash	3.17	0.00

Sector exposure

	Fund %	Benchmark %
Communication Services	7.39	7.51
Consumer Discretionary	12.83	10.74
Consumer Staples	6.71	6.73
Energy	3.22	4.50
Financials	14.02	15.99
Health Care	18.18	11.43
Industrials	5.74	10.55
Information Technology	26.84	23.52
Materials	1.89	4.24
Real Estate	0.00	2.27
Utilities	0.00	2.53
Cash	3.17	0.00

Top 10 holdings (underlying Fund)

	Portfolio %	Benchmark %	Country
Microsoft Corp	7.43	4.15	United States
NVIDIA Corp	4.86	2.25	United States
Meta Platforms Inc.	3.74	1.28	United States
Netflix, Inc.	3.65	0.37	United States
Abbott Laboratories	3.04	0.29	United States
Cencora, Inc.	2.86	0.06	United States
Compass Group plc	2.80	0.07	United Kingdom
Broadcom Inc.	2.78	0.77	United States
Haleon plc	2.68	0.03	United Kingdom
Hoya Corp	2.67	0.07	Japan

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	16.57	7.74	12.90	11.77
Distribution return	0.00	0.00	0.00	1.07

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\$303 mn as at 31 January 2024	
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

Investor Services Team 1800 034 494 (Australia) +61 3 9002 1980 (Overseas) IST@yarracm.com

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