Investment Commentary
Month to 28 February 2025

Yarra Global Share Fund

Net returns as at 28 February 2025

	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#	-0.37	4.75	15.56	23.32	14.73	14.26	13.23	9.09
MSCI All Countries World Index^	-0.30	5.08	13.56	20.48	14.88	13.60	11.71	8.04
Excess Return‡	-0.08	-0.33	2.00	2.84	-0.15	0.66	1.52	1.05

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 -0.37% (after fees) in February, slightly underperforming the Index return of -0.30%. Over the 12 months to February's end, the Fund returned 23.32%, outperforming the Index by 284 basis points, which returned 20.48%. Over the longer term, the Fund's 10-year return of 13.23% p.a. is 152 basis points ahead of the Index return of 11.71% p.a.

Despite a strong shift towards value, which outperformed growth by more than 4% during the month, the Fund performed in line with global indices for the second consecutive month. This was largely due to a relatively strong reporting season, with companies posting solid results, though upgrades didn't always lead to immediate share price gains. The Fund benefitted from not owning Apple and Tesla, which both participated in the market swoon out of US mega-cap stocks.

Key contributors to performance:

- Sony Group Corporation shares rose on positive news and solid financial performance, particularly from its gaming and music divisions. Management provided an upbeat outlook for 2025, and the launch of a comprehensive blockchain-centric Web3 solution has positioned Sony well in the tech space. Anticipation of new leadership under Hiroki Totoki, who will take over as President and CEO in April 2025, also contributed to positive sentiment.
- Progressive Corporation reported impressive results, with net premiums written increasing by 18% year-over-year and net income surging by 59%. Despite the estimated USD 43 million in losses from the Los Angeles wildfires, the company's strong financial performance and robust growth in policies across personal and commercial lines drove its stock higher. The market's positive reaction reflects confidence in Progressive's resilience and growth prospects.
- Intercontinental Exchange Inc. shares traded higher after posting solid numbers. Following a disappointing Q3, particularly in ICE's Mortgage Technology business, expectations had been lowered. With the reset, ICE is now well-positioned to deliver. Green shoots are appearing in the mortgage market, particularly on the purchase side, and ICE is poised for any recovery, having signed major lenders in recent quarters. ICE continues to benefit from market volatility through its core exchange business, which contributed to its strong performance.
- Coca-Cola Europacific Partners plc shares were supported by its strong Q4 and fiscal year 2024 results. The company reported 5% organic revenue growth and a 9.8% increase in organic operating profit for the year. Recognition as a sustainability leader and strategic partnerships, such as with Xbox, have further strengthened its market position. The company's focus on innovation and sustainability continues to resonate with investors, and the stock's inclusion in the FTSE 100 Index is expected to provide additional technical support.
- Haleon plc delivered a robust full-year 2024 results, with 5% organic revenue growth and a 9.8% increase in organic operating profit. The company's strategic focus on innovation, including the launch of products like Sensodyne Clinical White and Panadol Dual Action, has strengthened its market position. Management's confidence in the company's outlook was further supported by the announcement of its first-ever share buyback program, with continued efforts to pursue accretive bolt-on acquisitions.

Key detractors to performance

- Bio-Techne Corporation faced a challenging month despite reporting solid results, including a 9% increase in organic revenue and higher EPS. The weakness was triggered by the announcement that the US government plans to restrict funding for the National Institutes of Health, which, while accounting for less than 5% of sales, raised concerns about slowing the business's recovery.

- Amazon.com, Inc. reported strong Q4 2024 results, with a 10% increase in net sales and significant growth in operating income. However, the stock struggled due to broader market sentiment and concerns over the sustainability of AI spending and its returns. Growth headwinds and the general underperformance of the Mag7 and US stocks led to profit-taking in Amazon shares, which we believe is healthy in the long term.
- Trip.com Group Ltd. delivered strong Q4 2024 financial results, with a 23% year-over-year increase in net revenue and a significant rise in net income. However, management provided more conservative guidance, and downgrades in future gross margins from analysts contributed to a selloff in the shares, which had performed well leading into the results.
- Hoya Corporation's results showed continued strength in its IT business, though demand in its healthcare division has been recovering gradually following a cyberattack. Despite solid results, the stock saw profit-taking, and weakness in semiconductor-related stocks later in the month contributed to the selloff.
- Synopsys, Inc. demonstrated strong operational execution and innovation in silicon IP and hardware-assisted verification solutions, but the stock traded lower due to weakened sentiment surrounding their core EDA market, which has been affected by a slowdown in non-AI semiconductors and issues in China. Management maintained its full-year guidance, which was well-received, as the company is outperforming in other areas such as hardware. Its shares were also under pressure from a broader market shift from growth to value, a headwind for high-beta stocks like Synopsys.

Market review

Investors will be forgiven for thinking that the world's wealthiest person, Elon Musk, appears to be promising gold in the form of government spending cuts or establishing life on another planet (Mars), but there are many out there who believe in him. Musk's vision might be more right than wrong, but sometimes the world simply isn't ready for it.

The AI spending wave also comes with promises - a reflection of hopes and dreams that a new general-use technology will lead to significant productivity gains and value. For those who watched the video of a Chilean sailor being swallowed and then spat back out by a humpback whale (fact-checked by the BBC no less) it seems markets too had their own mini regurgitation in February as questions about the timing and scale of the AI promised land were increasingly voiced.

Over the past twelve months, the Investment Manager has been de-risking the portfolio and reinvesting profits into new Future Quality ideas, and to a limited degree, that continued in February with increased allocation to more defensive names, for example Genpact Limited, Danaher Corporation, and Kerry Group plc. Again, these were funded from reduced exposure to higher US beta winners like Interactive Brokers Group and TransUnion.

It appears that outperformance continues to be driven by those companies with high and ideally rising cash flow returns on investment. Of course, bouts of rotation and changes in style can happen - as has been the case over the last few months - but focusing on those with the ability to raise pricing and take market share should continue to drive outperformance. As ever, the four pillars of franchise quality, astute management, strong balance sheets, and sensible valuations will underpin our ideas and discussions.

While markets try to assimilate the short- and long-term implications of US President Donald Trump's attempts to reorganize world order and estimate the impact DOGE-forced redundancies might have on the US hegemony, we won't be looking to the stars for guidance. In our view, Future Quality is more relevant today than ever before.

Top 10 holdings (underlying Fund)

	Portfolio %	Benchmark %	Country
Microsoft Corp	4.80	3.53	United States
NVIDIA Corp	4.68	3.85	United States
Amazon.com	4.66	2.52	United States
Meta Platforms Inc.	4.41	1.84	United States
Netflix, Inc.	3.20	0.53	United States
Sony Group Corp	2.97	0.19	Japan
Compass Group plc	2.74	0.07	United Kingdom
Intercontinental Exchange, Inc.	2.73	0.13	United States
Coca-Cola Europacific Partners plc	2.58	0.02	Netherlands
HDFC Bank Limited	2.56	0.14	India

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.

Country / regional exposure

	Fund %	Benchmark %
United States	63.51	65.75
Japan	6.34	4.71
China	1.12	3.02
United Kingdom	5.23	3.27
Canada	0.00	2.71
Europe ex UK	9.61	11.20
Asia Pacific ex China & Japan	9.78	7.19
Emerging Europe, Middle East, Africa	0.00	1.46
Latin America	0.00	0.68
Cash	4.42	0.00

Sector exposure

	Fund %	Benchmark %
Communication Services	7.61	8.34
Consumer Discretionary	16.92	10.95
Consumer Staples	4.62	6.07
Energy	1.34	3.86
Financials	16.24	17.63
Health Care	16.84	10.14
Industrials	10.89	10.35
Information Technology	18.88	24.52
Materials	2.25	3.54
Real Estate	0.00	2.08
Utilities	0.00	2.51
Cash	4.42	0.00

Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	23.32	14.73	14.26	12.82
Distribution return	0.00	0.00	0.00	0.41

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$333 mn as at 28 February 2025
APIR code	SUN0031AU
Estimated management cost	0.99% p.a.
Buy/sell spread	+/- 0.15%
Platform availability	AMP North Asgard BT Panorama Hub24 IOOF Wrap Macquarie Wrap MLC Navigator Netwealth Praemium

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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