

NIKKO AM AUSTRALIAN SHARE INCOME FUND

Fund Update

Fund Performance (%)

	1 Mth	3 Mths	6 Mths	1 Yr	2 Yrs p.a.	3 Yrs p.a.	4 Yrs p.a.	5 Yrs p.a.	7 Yrs p.a.	Since Inception p.a.
Fund Growth return	2.62	9.24	23.87	27.11	0.04	-1.05	-2.78	0.69	-0.85	2.37
Fund Distribution return	0.00	0.40	2.13	5.46	4.81	6.26	7.26	7.19	7.80	6.51
Total Fund return (net)*	2.62	9.63	26.00	32.57	4.85	5.21	4.48	7.88	6.95	8.89
Fund grossed up dividend yield				5.36	6.62	8.33	8.38	8.56	8.81	8.62
S&P/ASX 200 Accumulation Index Yield (grossed up for franking credits)				3.69	4.61	5.05	5.27	5.39	5.64	5.82
Excess yield				1.67	2.01	3.29	3.12	3.17	3.17	2.80

Source: Nikko AM. Fund growth return is the change in redemption prices over the period. Fund distribution return equals Total Fund minus Fund growth return. The grossed up dividend yield for the Nikko AM Australian Share Income Fund is before fees and relates to the Fund's holdings and differs from the Fund's distribution due to franking credits, management fees and other costs. There are also timing differences between the Fund grossed up dividend yield and the Fund distribution return. Dividends for the grossed up dividend yield are calculated on the stock's ex-dividend date. Dividends for the distribution return are generally calculated when the dividend is received (which can be after the ex-dividend date and the reporting period for this Fund Update). Nikko AM Australia adopts a distribution policy, whereby a certain amount of income is held back each quarter, with the full amount released at the end of the financial year. Nikko AM Australia net 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: 14 November 2008.

*Due to share buy-back participation performance was negatively impacted: BHP April 2011 0.250%; TLS October 2014 0.295%; TLS October 2016 0.153%; RIO November 2017 0.011%; RIO November 2018 0.459%; BHP December 2018 0.061%; WOW May 2019 0.068%.

The Fund underperformed the broader equities market during the month (on a net basis).

The Fund has delivered a grossed up dividend yield of 5.36% over the past 12 months and continues to exceed its long-term performance objective, by delivering an excess grossed up dividend yield greater than 2.00% p.a. above its benchmark since inception.

Key contributors to absolute performance over the month:

- **Viva Energy** contributed to performance on the back of a strong trading update highlighting a good recovery in fuel volumes outside of Aviation and also strong retail margins.
- **BHP** and **Rio Tinto** contributed to performance, having outperformed on the back of further strength in iron ore and base metal prices.
- **Downer** outperformed after announcing further assets sales, and a 10% on-market share buyback. The company also provided a positive trading update at its strategy day.
- **Tassal** performed well in April as recovering futures pricing for salmon in the Norwegian market buoyed market expectations that the trough in global salmon pricing is coming to an end.

Key detractors from absolute performance over the month:

- **Origin Energy** detracted from performance following an adverse outcome in the arbitration with Beach Petroleum over a market price review on a gas supply contract. The astonishingly high price determined will cost Origin an additional AUD 60-80m per annum.
- **Aurizon** continued to be out of favour in April. Coal volumes for the March quarter were largely as expected with

Queensland improving and NSW hit by weather and a coal loader outage.

- The holding in **Woolworths** detracted from performance as the stock underperformed. Woolworths released its Q3 sales result, and while it was in-line with market expectations, the market was disappointed with the flat sales reported for the first three weeks of Q4.
- **Oil Search** and **Woodside Petroleum** underperformed, despite Brent crude prices gaining circa 3% in April. Both Oil Search and Woodside released quarterly updates but the key driver of performance was more likely macro in nature as OPEC+ confirmed it would recommence the tapering process that would see oil volumes return to the market in an orderly fashion.

Top 10 Holdings

Security Name	% of Fund
ANZ Bank	7.69
National Australia Bank	6.99
Westpac Bank	6.90
BHP Group	6.27
Coles Group	4.78
Telstra	4.55
Downer EDI	3.10
Suncorp Group	3.09
IOOF	2.73
Orora	2.73

Franking Levels

Financial year ending	%
30 June 2020 (76% on income entitlements)	79.35
30 June 2019 (91% on income entitlements)	103.12
30 June 2018 (81% on income entitlements)	57.85
30 June 2017 (78% on income entitlements)	40.65
30 June 2016 (67% on income entitlements)	71.53
30 June 2015 (78% on income entitlements)	49.40
30 June 2014 (74% on income entitlements)	53.08

Fund Metrics

	Price to Earnings Ratio*	Forecast Grossed Up Dividend Yield (%)*
Fund	16.00	4.86

Actual figures may vary. Forecasts are 12 months forward.

* Based on Broker Consensus forecast.

Market Commentary

The S&P/ASX 200 Accumulation Index returned 3.5% during the month. Australian equities performed admirably in April as commodity prices rebounded. In major global developed markets the US S&P 500 was up 5.3%, the UK's FTSE 100 was up 4.1% and the DJ Euro Stoxx 50 was up 1.9%. Japan's Nikkei 225 was the laggard, down 1.3% (in local currency terms).

Monetary policy settings remained unchanged in April, as the Reserve Bank of Australia (RBA) maintained both the cash rate and 3 year yield target at 0.10%. The RBA also indicated it will maintain the parameters of the Term Funding Facility (TFF) and government bond purchase program.

Domestic economic data releases in April were mostly upbeat. The inflation rate rose 0.6% in Q1 and the annual rate rose to 1.1%, which were both slightly below expectations. Employment rose by 70,700 positions in February. The unemployment rate fell to 5.6%, the lowest rate in a year. The NAB Survey of Business Conditions rose 8 points to a record high of 25 in March. Business confidence however fell slightly to 15 points. Retail sales were down 0.8% in February, which was slightly better than expected. National CoreLogic dwelling prices saw another consecutive monthly rise in April, ending the month up 1.8%, but easing back from the 32-year high of 2.8% in March.

Sector returns were mostly positive in April. The best performing sectors were information technology (9.7%), materials (6.8%) and industrials (4.3%) which all outperformed the market. Sectors that underperformed the broader index included financials (3.1%), health care (3.1%), consumer discretionary (2.8%), communication services (2.7%), real estate (2.6%), consumer staples (-2.5%) and utilities (-1.2%). Energy (-4.9%) was the worst performing sector.

M&A and capital raising activity continues to be supported by low funding costs and improving confidence. Regis Resources and Zip Co both raised capital. Meanwhile Orocobre and Galaxy Resources agreed to an AUD 4 billion merger that will form the fifth-largest global lithium chemicals company by

production and see the combined entity enter the ASX 200 Index. Lastly, Coca-Cola Amatil shareholders voted in favour of the takeover offer from Coca-Cola European Partners.

Fund Objective

The Fund aims to provide a tax-effective income stream that exceeds the dividend yield of the S&P/ASX 200 Accumulation Index (grossed up for franking credits) by 2% p.a. over rolling five-year periods, before fees, expenses and tax, plus the potential for capital growth over the long term.

Key Facts

Responsible Entity Nikko Asset Management Australia Limited	Buy/Sell Spread 0.25%/0.25%
APIR Code TYN0038AU	Management Cost 0.85% p.a.
Portfolio Manager Michael Maughan, Mal Whitten	Distribution Frequency Quarterly
Asset Allocation** Australian Shares 70% - 100% International Shares 0% - 10% Cash 0% - 20%	Fund Size AUD 179.36 million
Minimum Investment AUD 10,000 or platform nominated minimums	

** The fund does not currently hold any stocks defined as 'manufacturers of cigarettes and other tobacco products' by GICS (Global Industry Classification Standard).

Contact Us

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Important Information

This material was prepared and issued by Nikko Asset Management Australia Limited ABN 34 002 542 038, AFSL 229664 (Nikko AM Australia) who is the responsible entity and issuer of units in the Nikko AM Australian Share Income Fund ARSN 133 980 819 (Fund).

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