

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	-0.54	4.34	11.59	23.78	1.03	-0.27	0.16	1.24	0.11	2.48
Fund Distribution return	1.89	1.98	2.54	4.84	4.63	5.66	5.94	7.22	7.51	6.59
Total Fund return (net)*	1.35	6.32	14.12	28.62	5.67	5.39	6.10	8.46	7.62	9.07
Fund grossed up dividend yield				5.68	6.28	8.33	8.31	8.44	8.76	8.60
S&P/ASX 200 Accumulation Index Yield (grossed up for franking credits)				4.10	4.44	4.92	5.16	5.29	5.57	5.80
Excess yield				1.58	1.84	3.42	3.15	3.15	3.18	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 5.68% 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:

- **Telstra** outperformed after announcing the sale of a 49% stake in its towers business to a consortium of super funds. The transaction was earlier than expected and the price was well above comparable deals for a minority stake.
- **Origin Energy** outperformed on the back of rising wholesale electricity prices due to unplanned outages of its competitor's generators.
- **Iluka Resources** outperformed in June as mineral sands prices continued to strengthen. The stock surged after Rio Tinto suspended its Richard's Bay Minerals operations in South Africa due to rising security issues. Mineral sand product prices are likely to strengthen further as a result.
- **IOOF** outperformed after executing the company transforming MLC transaction.
- **Inghams** outperformed in June. The positive earnings update at the end of May provided more comfort to the market on its operational turnaround. Softer wheat pricing is likely to provide earnings support for the business in the medium term as well.

Key detractors from absolute performance over the month:

- **Lendlease** underperformed as investors speculated the new CEO would announce restructuring and profits from large development completions would be delayed into FY22. Further COVID-19 lockdowns also led to poorer investor sentiment towards office and retail property.
- **ANZ, Westpac and National Australia Bank** detracted from performance. The bank sector underperformed the market as inflationary expectations lowered and bond yields fell away during the month.
- **OZ Minerals** underperformed driven by declining copper prices. Copper continued to soften from the near all-time high's following concerns over rising COVID-19 cases, reduced stimulus measures in the US and a release of copper to the market from China's strategic reserves.

Top 10 Holdings

Security Name	% of Fund
ANZ Bank	7.38
Commonwealth Bank	7.14
BHP Group	6.85
Rio Tinto	5.12
Telstra	4.98
Coles Group	4.98
Westpac Bank	3.71
National Australia Bank	3.35
Downer EDI	3.12
IOOF	3.06

Franking Levels

Financial year ending	%
30 June 2021 (66% on income entitlements)	72.75
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

Fund Metrics

	Price to Earnings Ratio*	Forecast Grossed Up Dividend Yield (%)*
Fund	15.19	5.19

Actual figures may vary. Forecasts are 12 months forward.

* Based on Broker Consensus forecast.

Market Commentary

The S&P/ASX 200 Accumulation Index returned 2.3% during the month. Australian equities outperformed in June on the back of favourable economic data and commodity prices remaining elevated. In major global developed markets the US S&P 500 was up 2.3%, the DJ Euro Stoxx 50 was up 0.7% and the UK's FTSE 100 was up 0.4%. Japan's Nikkei 225 was the laggard, down 0.1% (in local currency terms).

Monetary policy settings remained unchanged in June, 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 government bond purchase program.

Domestic economic data releases in June were mostly upbeat. March 2021 GDP was up 1.8%, which exceeded expectations, while the annual growth rate was 1.1%. Employment rose by 115,200 positions in May, significantly exceeding market expectations. The unemployment rate fell to 5.1%, the seventh straight monthly fall and lowest rate since February 2020. The NAB Survey of Business Conditions reached another record high of 37 in May. Business confidence however fell slightly, down to 20. Retail sales rose 1.1% in April, which was in line with expectations. National CoreLogic dwelling prices saw another consecutive monthly rise in June, ending the month up 1.9%.

Sector returns were mostly positive in June. The best performing sectors were information technology (13.4%), communication services (5.6%), consumer staples (5.3%) and real estate (4.8%). Consumer discretionary (4.5%), energy (4.0%), utilities (3.5%) and industrials (3.0%) also outperformed the broader index. Health care (2.2%) and materials (0.3%) underperformed the broader index, while financials (-0.2%) was the worst performing sector.

In stock specific news, it was announced that Endeavour Group will demerge from Woolworths, creating two independent ASX listed entities. The Woolworths board will consider capital management options post the demerger. Seven Group

announced it will increase its cash bid for Boral shares after its initial offer in May was turned down by shareholders. To-date Boral management has not expressed an interest in accepting the revised offers.

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 159.92 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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