

NIKKO AM AUSTRALIAN SHARE WHOLESALE 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.	10 Yrs p.a.	15 Yrs p.a.	20 Yrs p.a.	Since Inception p.a.
Fund growth return	0.49	1.98	13.83	32.14	0.15	-3.79	-2.51	-0.35	2.70	0.14	2.74	3.45
Fund distribution return	0.00	2.67	2.98	4.73	4.75	6.34	7.90	7.57	5.86	6.45	6.50	6.44
Total Fund (net)	0.49	4.66	16.81	36.87	4.90	2.55	5.39	7.22	8.56	6.59	9.24	9.89
Benchmark return	1.10	5.80	13.78	28.56	7.65	9.48	10.74	10.05	9.83	7.12	8.55	9.68
Excess Return	-0.61	-1.15	3.03	8.31	-2.74	-6.93	-5.34	-2.82	-1.27	-0.53	0.69	0.21

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. Fund net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Past performance is not an indicator of future performance. Benchmark: S&P/ASX 200 Accumulation Index. Inception date: March 1995

The Fund underperformed the benchmark over the month.

Key contributors to relative performance:

- **BHP** contributed to performance with the stock moving higher despite a mid-month pullback in iron ore prices. Stock outperformance was likely driven by market positioning ahead of the significant dividends expected during upcoming reporting period.
- The nil holding in **Afterpay** contributed to performance. The information technology sector underperformed in July, in-line with global peers, and Afterpay substantially underperformed the sector as competition within the buy now, pay later industry picks up.
- **ResMed** outperformed as the extent of the disruption to its competitor, Philips, became more evident. Philips will be unable to supply new patients for at least 12 months as it re-directs its manufacturing to replacing recalled sleep apnoea machines. This leaves Resmed with an opportunity to secure a permanently higher market share.
- **Iluka Resources** outperformed after reporting a positive quarterly report which highlights very strong sales volumes and revenues above market expectations.
- **Orora** outperformed given continued positive momentum in the US industrial packaging market and positive pricing momentum in US corrugated box markets.

Key detractors from relative performance:

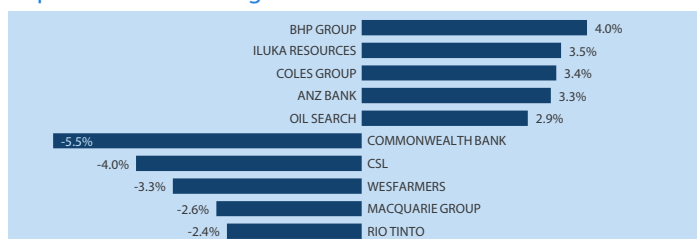
- **Crown Resorts** underperformed on the back of negative news arising from the Victorian Royal Commission.
- Our nil holding in **Sydney Airport** detracted from performance. Sydney Airport outperformed after receiving a takeover bid from an IFM Investors led consortium, which has subsequently been rejected by the board.

- **Downer** underperformed given continued uncertainty around labour related cost pressures and the impact of lockdowns in Australia.
- **SkyCity Entertainment** underperformed on the back of negative headlines associated with the casino sector. We believe many of the issues raised by the Victorian Royal Commission are specific to Crown Resorts.
- The overweight in **Westpac** detracted from performance. The bank sector underperformed the market despite both ANZ and National Australia Bank announcing on-market buybacks.

Top 10 Holdings

Security Name	% of Fund
BHP Group	11.58
ANZ Bank	7.15
Westpac Bank	7.07
National Australia Bank	5.47
Coles Group	4.57
Iluka Resources	3.72
QBE Insurance	3.45
ResMed	3.34
Oil Search	3.27
Aristocrat Leisure	3.22

Top 5 Over/Underweight Positions



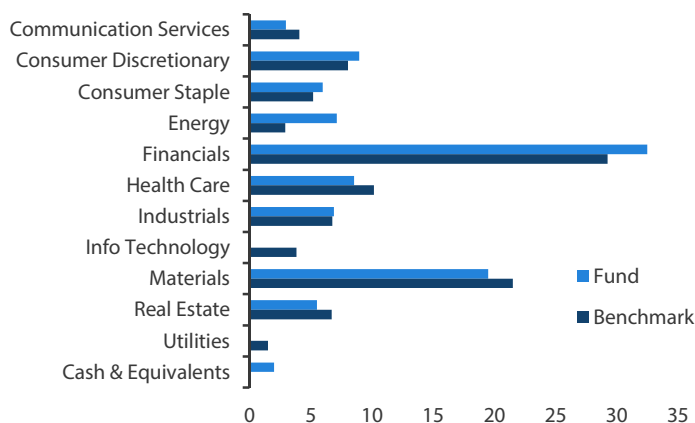
Fund Metrics

	Price to Earnings Ratio*	Forecast Dividend Yield (%)*
Fund	15.19	4.90
Benchmark	17.19	4.08

Actual figures may vary. Forecasts are 12 months forward.

* Based on Broker Consensus forecast.

Sector Exposure (%)



Market Commentary

The S&P/ASX 200 Accumulation Index returned 1.1% during the month. Australian equities lagged global markets which had mixed results in July. In the major developed markets the US S&P 500 was up 2.4%, the DJ Euro Stoxx 50 was up 0.8% and the UK's FTSE 100 was up 0.1%. Japan's Nikkei 225 was the laggard, down 5.2% (in local currency terms).

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

Domestic economic data releases in July were mixed. Q2 inflation was 0.8% for the quarter, but spiked to 3.8% for the year to the June quarter, largely reflecting the unwinding of some earlier COVID-19-related price declines. Employment rose by 29,100 positions in June. The unemployment rate fell to 4.9%, the eighth straight monthly fall. The NAB Survey of Business Conditions fell 12 points, to 24, down from its record high in May. Business confidence fell sharply, down to 11 (from 20 the month prior) as the latest COVID-19 outbreaks dented confidence. Retail sales rose 1.1% in April, which was in line with expectations. National CoreLogic dwelling prices saw another consecutive monthly rise in July, ending the month up 1.6%.

Sector returns were mixed in July. The best performing sectors were materials (7.1%), industrials (4.3%) and utilities (1.6%). Consumer staples (1.5%) and health care (1.2%) also outperformed the broader index. Real estate (0.6%), consumer discretionary (-0.5%), communication services (-1.4%), financials (-1.4%) and energy (-2.5%) underperformed the broader index, while information technology (-6.9%) was the worst performing sector.

In stock specific news, mergers and acquisition activity remained buoyant. Sydney Airport received an AUD22 billion takeover bid from a consortium of superannuation funds led by IFM Investors, which was subsequently rejected by the board. Spark Infrastructure also received a takeover offer, from a consortium led by private equity group KKR. The consortium's third bid was deemed sufficient to allow them access to perform due diligence on the company.

Fund Objective

The Fund aims to outperform the S&P/ASX 200 Accumulation Index by more than 2.5% p.a. over rolling five-year periods, before fees, expenses and tax.

Key Facts

Responsible Entity

Nikko Asset Management Australia Limited

Buy/Sell Spread

0.25%/0.25%

APIR Code

TYN0028AU

Management Cost

0.80% p.a.

Portfolio Managers

Brad Potter, Jason Kim

Distribution Frequency

Half yearly

Asset Allocation

Australian Shares 80% - 100%
International Shares 0% - 10%
Cash 0% - 10%

Fund Size

AUD 747.99 million

Minimum Investment

AUD 10,000 or platform nominated minimums

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 Wholesale Fund ARSN 090 089 562 (Fund).

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