

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	-0.34	14.96	12.75	-13.59	-1.42	-9.86	-5.21	-2.19	0.46	-1.01	2.53	2.97
Fund distribution return	0.93	1.08	1.06	4.63	7.49	8.51	7.94	7.24	5.92	6.69	6.39	6.45
Total Fund (net)	0.60	16.04	13.81	-8.97	6.07	-1.35	2.73	5.04	6.38	5.69	8.92	9.42
Benchmark return	1.21	13.70	13.20	1.40	11.86	6.73	7.97	8.73	7.84	6.66	8.12	9.35
Excess Return	-0.61	2.34	0.61	-10.37	-5.79	-8.08	-5.24	-3.69	-1.47	-0.97	0.80	0.08

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:

- **Iluka Resources** outperformed along with the broader mining sector. Iluka's significant China exposure aided its outperformance, as well as its residual exposure to iron ore through its 20% holding in the recently spun-out Deterra Royalties.
- **BHP** outperformed during the month. Commodities surged over December on optimism for China's ongoing strong demand for raw materials. Iron ore in particular has continued to defy market expectations.
- **Metcash** outperformed as the company released a strong first half result. The strong operating performance was led by the hardware division.
- The underweight position in **CSL** contributed to performance. The stock underperformed as the ongoing rise in COVID-19 infections in the US is again impacting plasma collection volumes. This will impact the availability of product in FY22.
- Our nil position in **Cochlear** contributed to performance. The stock underperformed driven by the ongoing growth in COVID-19 infections in the northern hemisphere. This will see a deferral of surgeries, impacting near-term earnings.

Key detractors from relative performance:

- The nil holdings in **Fortescue Metals** and **Rio Tinto** detracted from performance as material stocks outperformed following a surge in commodity prices during December.
- **QBE Insurance** underperformed during December after providing a disappointing market update. QBE flagged elevated catastrophe costs of circa USD 130 million, prior year reserve top ups of circa USD 470 million, as well as a meaningful non-cash write-down of assets.
- The nil holding in **Afterpay** detracted from performance. Afterpay rallied strongly post the announcement that it

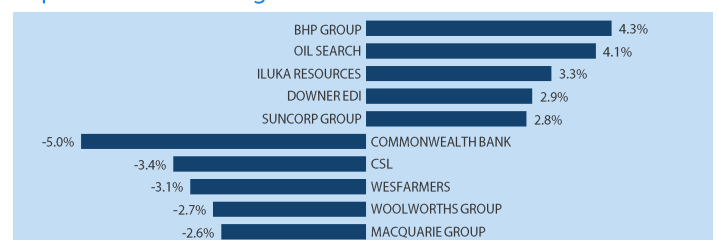
would be entering the ASX20 and ASX50 indices post the December quarterly rebalance.

- **Lendlease** underperformed. The company concluded negotiations with the Victorian Government regarding project over-runs on the Melbourne Metro project, with no further provisions required.

Top 10 Holdings

Security Name	% of Fund
BHP Group	11.14
ANZ Bank	6.24
National Australia Bank	5.44
Westpac Bank	5.38
Oil Search	4.44
Coles Group	3.65
CSL	3.60
Scentre Group	3.55
Suncorp Group	3.51
Iluka Resources	3.42

Top 5 Over/Underweight Positions



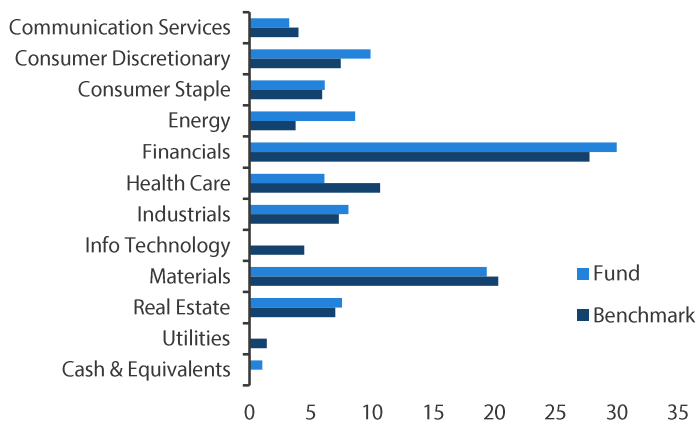
Fund Metrics

	Price to Earnings Ratio*	Forecast Dividend Yield (%)*
Fund	17.61	3.69
Benchmark	18.44	3.29

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 1.2% during the month. Australian equities lagged key offshore markets during the month. Despite COVID-19 cases rising exponentially in the US and Europe, the start of the vaccine roll-out and further certainty regarding the US election result saw equities move higher. In major global developed markets Japan's Nikkei 225 was up 3.8%, the US S&P 500 was up 3.7%, the UK's FTSE 100 was up 3.1% and the DJ Euro Stoxx 50 was up 2.0%.

The Reserve Bank of Australia (RBA) maintained monetary policy settings in December after having delivered a rate cut and additional measures to support the recovery at its November meeting (where the cash rate was cut from 0.25% to 0.10%, as was the 3 year yield target). The parameters of the Term Funding Facility and the government bond purchase program were also maintained in December.

Domestic economic data releases in December were mostly upbeat. Q3 GDP exceeded expectations to be up 3.3%, partially recovering from the record -7% recorded in Q2. Employment rose by 90,000 positions in November, which exceeded market expectations. The unemployment rate ticked lower to 6.8%, which was also better than expected. The NAB Survey of Business Conditions showed improvement, rising to 9 in November, and is now at above average levels. Business confidence also improved, rising to 12. Retail sales were up 1.4% in October. National CoreLogic dwelling prices saw a third consecutive monthly rise in December, ending the month up 1.0%, and closing the year 3.0% higher.

Sector returns were mixed in December. The best performing sectors were information technology (9.5%), materials (8.8%) and consumer staples (2.3%). Sectors that underperformed the broader market included consumer discretionary (1.0%), real

estate (-0.2%), financials (-0.5%), communication services (-0.6%), energy (-0.9%), industrials (-2.7%) and healthcare (-4.9%). Utilities (-5.4%) was the worst performing sector.

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 704.50 million
Minimum Investment AUD 10,000 or platform nominated minimums	

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