

NIKKO AM AUSTRALIAN SHARE WHOLESAL FUND

Fund Update - INSTITUTIONAL

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. | 10 Yrs p.a. | 15 Yrs p.a. | 20 Yrs p.a. | Since Inception p.a. |
|----------------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------------------|
| Fund | 2.69 | 8.92 | 16.66 | 32.57 | 7.47 | 4.46 | 5.82 | 8.22 | 7.22 | 8.51 | 7.18 | 10.05 | 10.70 |
| Benchmark | 2.34 | 8.48 | 11.74 | 28.23 | 9.38 | 9.95 | 9.87 | 10.11 | 8.21 | 8.82 | 6.91 | 8.31 | 9.61 |
| Excess Return | 0.35 | 0.44 | 4.92 | 4.33 | -1.91 | -5.48 | -4.04 | -1.89 | -0.99 | -0.31 | 0.28 | 1.73 | 1.10 |

Source: BNP Paribas. Fund gross returns are pre fees, pre tax and the dividends are reinvested. Past performance is not an indicator of future performance. Benchmark: S&P/ASX 200 Accumulation Index. Inception date: March 1995.

The Fund outperformed the benchmark over the month.

Key contributors to relative performance:

- The nil holding in **Afterpay** contributed to performance. Afterpay materially de-rated as many global (profitless) technology stocks fell precipitously during May.
- QBE Insurance** outperformed as global peers highlighted the continuation of strong double digit premium rate increases in commercial insurance lines globally, which appears to be flowing into improvements in profitability. This improvement was confirmed by QBE at their AGM in May.
- Westpac** contributed to performance. Banks reported during May, with results generally well received with impairments at extraordinarily low levels due to writebacks and little mortgage stress.
- The nil holding in **Macquarie Group** contributed to performance as the stock underperformed. Macquarie's full year result was within market expectations. However, negative press around the recent Nuix IPO weighed on the stock, given there have been three downgrades post the December IPO and Macquarie still holds circa 30% of Nuix.
- Aristocrat Leisure** outperformed after delivering a 1H21 result well ahead of market expectations. Continued market share gains in the land-based business and digital business places the company in a good position to capitalise on the continued economic recovery.

Key detractors from relative performance:

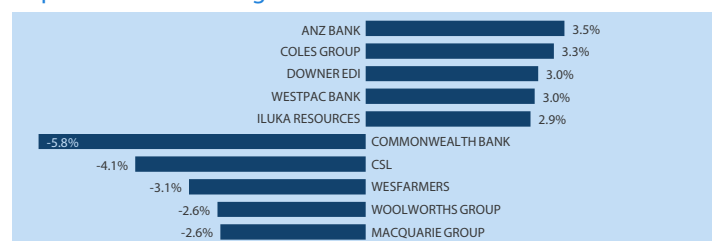
- The underweight in **Commonwealth Bank** (CBA) detracted from performance. Banks outperformed as the economy continues to re-open and credit risks continue to decline.
- Our holding in **Oil Search** detracted from performance. Local oil and gas stocks underperformed the market in May, despite oil prices rising ~3% over the month.
- Our underweight in **CSL** detracted from performance. CSL outperformed, as the US vaccination roll-out progresses and mobility improves, a recovery in collection volumes is expected, reducing downside risk to near-term earnings.

- Ramsay Healthcare** detracted from performance. The underperformance followed the company's presentation at a conference in May, with the market seeming underwhelmed with the recovery in activity.
- Nufarm** underperformed despite delivering a very strong 1H21 result. The underperformance was most likely fuelled by the weaker outlook commentary for 2H21.

Top 10 Holdings

| Security Name | % of Fund |
|-------------------------|-----------|
| BHP Group | 9.87 |
| Westpac Bank | 7.82 |
| ANZ Bank | 7.59 |
| National Australia Bank | 5.76 |
| Coles Group | 4.43 |
| QBE Insurance | 3.61 |
| Aristocrat Leisure | 3.26 |
| Downer EDI | 3.24 |
| Oil Search | 3.18 |
| Iluka Resources | 3.08 |

Top 5 Over/Underweight Positions



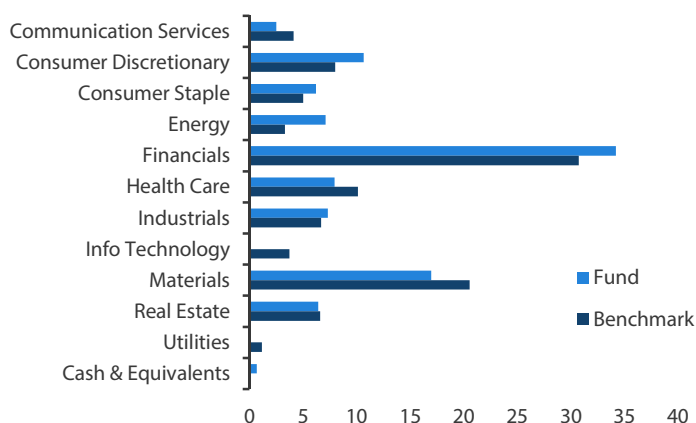
Fund Metrics

| | Price to Earnings Ratio* | Forecast Dividend Yield (%)* |
|-----------|--------------------------|------------------------------|
| Fund | 16.45 | 4.57 |
| Benchmark | 18.12 | 3.89 |

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 2.3% during the month. Australian equities outperformed in May on the back of a strong Federal Budget and as commodity prices remained elevated. In major global developed markets the DJ Euro Stoxx 50 was up 2.5%, the UK's FTSE 100 was up 1.1% and the US S&P 500 was up 0.7%. Japan's Nikkei 225 was the laggard, up just 0.2% (in local currency terms).

Monetary policy settings remained unchanged in May, 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.

The Federal Budget was released on May 11, with a focus on jobs and spending rather than fiscal repair. The 2021-22 budget deficit is estimated to be AUD106.6 billion (5% of GDP) falling to AUD57 billion (2.4% of GDP) in 2024-25. The larger than expected stimulus is positive for equities.

Domestic economic data releases in May were mostly upbeat. Employment fell by 30,600 positions in April, despite expectations of a market gain. The unemployment rate fell to 5.5%, the lowest rate in a year. The NAB Survey of Business Conditions reached a record high of 32 in April. Business confidence also reached a record high, rising 9 points to 26. Retail sales rose 1.3% in March, which was better than expected. National CoreLogic dwelling prices saw another consecutive monthly rise in May, ending the month up 2.2%.

Sector returns were mostly positive in May. The best performing sectors were financials (5.7%), consumer discretionary (3.5%), health care (3.5%) and consumer staples (2.5%). Communication services (2.0%), materials (1.7%), real estate (1.4%), industrials (-1.0%), energy (-1.8%) and utilities

(-6.6%) all underperformed the broader index. Information technology (-9.9%) 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 756.06 million |
| Minimum Investment AUD 10,000 or platform nominated minimums | |

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Important Information

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