

NIKKO AM GLOBAL SHARE FUND

Fund Update

Fund Performance

	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Inception
	(%)	(%)	(%)	(%)	p.a. (%)	p.a. (%)	p.a. (%)	p.a. (%)
Fund growth return	1.78	5.51	9.75	23.21	23.57	18.55		
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.01		
Total Fund return (net) [#]	1.78	5.51	9.75	23.21	23.57	18.56	18.28	8.99
Benchmark*	1.42	5.99	8.99	25.81	19.10	14.30	16.34	7.64
Excess return	0.36	-0.47	0.76	-2.60	4.47	4.25	1.95	1.35

Source: BNP Paribas. Fund growth return is the change in redemption prices over the period. Fund distribution return equals total Fund return minus Fund growth total return. Total Fund 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: November 1995.

[#] In July 2015, the Fund was restructured from a global equities multi-manager strategy to gaining this exposure by investing in the Nikko AM Global Equity Fund (Underlying Fund) (a sub-fund of the Nikko AM Global Umbrella Fund which is an open ended investment company registered under Luxembourg law as a societe d'investissement, a capital variable).

* Benchmark: MSCI All Countries World Index (with net dividends reinvested) expressed in Australian Dollars (unhedged). The Fund gains exposure to global equities by investing in the Nikko AM Global Equity Fund (underlying Fund)1. Prior to 18 August 2016 MSCI All Countries World Ex-Australia Index (with net dividends reinvested) expressed in AUD (unhedged). Prior to 15 July 2015 the Benchmark was the MSCI World ex-Australia Index (with net dividends re-invested) expressed in AUD (unhedged). Prior to 1 October 2005, the index was the MSCI World Index (net dividends reinvested) expressed in AUD (unhedged).

Performance Commentary

The Fund outperformed the benchmark over the month.

Key contributors to relative performance:

- **Accenture** outperformed after releasing stronger than expected fiscal Q1 earnings and delivering an upbeat outlook for 2022.
- **Compass** rose in the last two weeks of the month as early data suggested that the Omicron variant of COVID-19 may be much less harmful to those infected than earlier variants. This raised hopes that economic disruption may be relatively short lived and that beneficiaries of economic reopening such as contract catering businesses would enjoy a quick return to growth.
- **AdaptHealth** benefitted from improved sentiment towards a potential return to more normal healthcare utilisation if the Omicron variant of COVID-19 causes less severe illness and disruption than the Delta variant. It was also announced that the CEO had acquired almost USD1m of shares in the company in December.

Key detractors from relative performance:

- **Adobe** fell after delivering marginally weaker than expected revenues in Q4 and offering initial 2022 revenue growth guidance. This led to profit taking in the stock after an extremely strong year.
- **HelloFresh** fell after guiding to weaker than expected profit margins in 2022 as the company continue to invest heavily in expanding their competitive advantage.
- **Palomar** was weak this month with no stock specific news driving the weakness. December saw some underperformance from small and mid-cap stocks with investors preferring the relative liquidity of large cap stocks as the Federal Reserve begins to tighten monetary policy.

Country/ Regional Exposure

Country/Region	Fund %	Benchmark %
United States	71.38	61.30
Japan	3.24	5.55
China	1.48	3.62
United Kingdom	3.68	3.60
Canada	0.00	2.89
Europe ex UK	10.15	12.58
Asia Pacific ex China & Japan	7.53	7.94
Emerging Europe, Middle East, Africa	0.00	1.77
Latin America	0.00	0.76
Cash	2.54	0.00
Total	100.00	100.00

Top 10 Holdings - Underlying Fund

Company	Fund %	Benchmark %	Country
Microsoft Corp	7.00	3.42	United States
Accenture plc	4.24	0.37	United States
Carlisle Cos Inc	3.75	0.00	United States
Amazon.com	3.62	2.16	United States
Abbott Laboratories	3.29	0.36	United States
Sony Group Corp	3.24	0.23	Japan
Taiwan Semiconductor	3.17	0.78	Taiwan
Adobe Inc	3.09	0.38	United States
Compass Group plc	3.02	0.06	United Kingdom
Emerson Electric Co	2.79	0.08	United States

Market Commentary

Global equity markets ended 2021 with another strong month – adding 1.42% (in AUD terms).

Market leadership shifted again in December, as investors began to prepare for tighter monetary policy. Defensive sectors generally performed well, with consumer staples, real estate, healthcare and utilities all outperforming over the month.

Cyclical sectors were mixed once again in December, but were almost the mirror image of November’s performance, with industrials and materials outperforming and consumer discretionary underperforming (as index heavyweights Tesla and Amazon failed to keep pace with the market). The information technology sector also underperformed this month as investors booked their profits towards year end.

Regionally speaking, the UK and Europe were amongst the best performers – benefitting from their relatively cheap valuation. The US performed pretty much in line with markets, as softness in technology shares was offset by gains in other parts of the benchmark. All of the other major regional indices underperformed, with Emerging Asia and Japan faring amongst the worst.

Market Outlook and Strategy

Equity market leadership of late is reflective of an increased realisation that the tide is shifting. High beta equities and those with relatively high leverage continue to underperform, as do more speculative investments such as IPOs, cryptocurrencies and concept stocks with unproven business models. Quality and cash generation are becoming more valuable but there is evidence of some divergence here too. The divergence has been characterised as being between value and growth, US and ex-US and COVID-19 winners and COVID-19 losers. Whatever the correct cause, share prices are reacting fairly violently.

There are various issues that we continue to monitor. These include questioning China’s ability to meaningfully curtail real estate trading without damaging investor confidence and the impact of worker shortages on economic growth in most major economies – especially if increasing immigration is seen as political suicide.

When share prices are being whipped around to such a pronounced extent, the temptation is to take action, regardless of one’s conviction in it. Experience teaches us that it is normally best to resist this urge and focus instead on the principles of Future Quality investing. We remain confident that strong cash generation is the best protection against any reduction in liquidity.

Sector Exposure

Sector	Fund %	Benchmark %
Communication Services	1.48	8.58
Consumer Discretionary	15.13	12.40
Consumer Staples	6.01	6.80
Energy	0.00	3.40
Financials	13.86	13.87
Health Care	20.31	11.69
Industrials	15.27	9.64
Information Technology	23.40	23.57
Materials	0.00	4.67
Real Estate	2.00	2.70
Utilities	0.00	2.70
Cash	2.54	0.00
Total	100.00	100.00

Fund Objective

The Fund aims to achieve capital growth over the long term, with total returns (before fees) 3% above the MSCI All Countries World ex-Australia Index (with net dividends re-invested) expressed in Australian Dollars (unhedged) over rolling three-year periods.

Key Facts

Responsible Entity

Yarra Investment Management Limited

APIR Code

SUN0031AU

ARSN

092 026 269

Fund Size

AUD \$206.1 million

Minimum Investment

AUD 10,000

Buy/Sell Spread

0.20%/0.20%

Distribution Frequency

Quarterly

Contact Us

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Important Information

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