

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	6.12	2.54	-7.03	-7.88	10.05	14.51		
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.00		
Total Fund return (net) [#]	6.12	2.54	-7.03	-7.88	10.05	14.51	16.21	8.28
Benchmark*	5.43	-0.11	-9.33	-5.70	8.08	10.81	14.50	7.00
Excess return	0.69	2.66	2.30	-2.17	1.98	3.71	1.71	1.28

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:

- **Carlisle Companies** shares rose following strong quarterly results. Earnings came in above expectations due to a strong operating performance. Importantly, demand remains robust in Construction Materials and management commented that orders are now booking out into 2023.
- **SolarEdge Technologies**, and other stocks related to the renewable energy sector, surged in late July after US Senator Joe Manchin and Majority Leader Chuck Schumer announced a deal that would see spending of approximately US\$369 billion on climate and energy proposals. SolarEdge, a leader in solar technology, is well-positioned to benefit from this legislation.
- **AdaptHealth** continued to recover from deeply oversold levels due to increasing confidence that supply chain stress is easing somewhat in CPAP (sleep apnea machines). CPAP devices have been competing with consumer electronics for semiconductors in recent months and as demand for consumer electronics is starting to cool off, there is greater availability of semiconductors for CPAP.

Key detractors from relative performance:

- **AIA Group** underperformed in July due to China lockdowns significantly disrupting business in key markets, and a slower business recovery in ASEAN countries despite large, local re-opening.
- **Palomar** shares struggled to perform this month in sympathy with the broader insurance sector. Bond yields have been slightly softer in recent weeks as investors speculate that we may be at 'peak' inflation and benign monetary policy has increased.

- **Elevance Health** underperformed despite posting another set of very solid results, with membership growth, premium price inflation and medical cost control all slightly better than expectations.

Country/ Regional Exposure

Country/Region	Fund %	Benchmark %
United States	69.55	61.96
Japan	2.71	5.40
China	0.00	3.49
United Kingdom	6.65	3.78
Canada	0.00	3.11
Europe ex UK	8.89	11.64
Asia Pacific ex China & Japan	10.17	8.13
Emerging Europe, Middle East, Africa	0.00	1.60
Latin America	0.00	0.90
Cash	2.03	0.00
Total	100.00	100.00

Top 10 Holdings - Underlying Fund

Company	Fund %	Benchmark %	Country
Microsoft Corp	6.33	3.36	United States
Compass Group plc	3.70	0.07	United Kingdom
Danaher Corp	3.36	0.33	United States
Coca-Cola Co	3.18	0.44	United States
Taiwan Semiconductor	2.92	0.70	Taiwan
Carlisle Companies	2.86	0.00	United States
Adapthealth Corp	2.83	0.00	United States
Housing Development Finance Corp	2.76	0.09	India
Sony Group Corp	2.71	0.19	Japan
Worley Ltd	2.57	0.00	Australia

Market Commentary

July saw global equity markets rebound following the sharp losses seen in recent months. The MSCI All Country World Index returned 5.43% (AUD, unhedged).

The best performing sectors this month were those that had suffered some of the biggest drawdowns in recent months. Information technology and consumer discretionary led the way, closely followed by industrials. This reversal of year-to-date performance was also evident in July's list of underperforming sectors. 'Value' sectors (financials and materials) and defensives (consumer staples and healthcare) all failed to keep pace with the market as investors returned to some of their growth favourites.

Regionally, the US was the strongest performer – benefitting from the rebound in technology stocks and the continued strength of the US dollar. Emerging Asia was the weakest major region, thanks to the uncertainties over Chinese economic growth. Other Emerging Markets and the UK also failed to match the gains made in the US and broader indices, reversing some of the gains seen earlier in the year.

Market Outlook and Strategy

Equity market valuations look more reasonable after the sharp falls seen earlier in the year - based on consensus earnings expectations. The problem is that these earnings expectations are too high (possibly by up to 15-20%, if previous economic slowdowns are any guide). Stubbornly high wage inflation, higher financial expenses (for variable rate debt) and foreign exchange (for US dollar reporters at least) all look set to take a chunk out of corporate profits over the coming months. We may also see some additional costs from a partial re-onshoring of manufacturing, after COVID-19 and recent geopolitical tensions exposed the risks inherent in long supply chains and an overreliance upon Chinese production of some components. The good news is that history tells us that equity markets will bottom before earnings expectations do.

Recent months have delivered volatile trading in equity markets, with investment style leadership often a function of developments in the US fixed interest market. We continue to believe that we are seeing the early stages of a potentially enduring regime shift, characterised by higher inflation and somewhat increased economic volatility. If this is the case, then the characteristics of Future Quality investing (marrying improving cash return on investment with valuation discipline) should offer a measure of insulation for the Fund and help to deliver strong relative performance.

Sector Exposure

Sector	Fund %	Benchmark %
Communication Services	0.00	7.54
Consumer Discretionary	12.51	11.57
Consumer Staples	7.71	7.40
Energy	2.57	4.96
Financials	13.90	14.10
Health Care	20.37	12.46
Industrials	15.14	9.58
Information Technology	21.06	21.87
Materials	2.42	4.60
Real Estate	2.29	2.80
Utilities	0.00	3.11
Cash	2.03	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 \$193.0 million

Minimum Investment

AUD 10,000

Buy/Sell Spread

0.20%/0.20%

Distribution Frequency

Quarterly

Contact Us

Yarra Investment Management Limited

Level 26, One International Towers Sydney
100 Barangaroo Avenue, Barangaroo NSW 2000, Australia
Phone: 1800 251 589
Fax: +61 2 8072 6304
Email: sales.au@yarracm.com

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