

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	-0.15	-3.83	-12.53	-3.06	12.15	13.30		
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.01		
Total Fund return (net) [#]	-0.15	-3.83	-12.53	-3.06	12.15	13.30	15.74	8.22
Benchmark*	-0.82	-4.81	-10.40	0.59	10.42	9.82	14.16	7.01
Excess return	0.67	0.98	-2.13	-3.65	1.72	3.49	1.58	1.21

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:

- **AdaptHealth** shares recovered this month after the company's quarterly results indicated there is light at the end of the tunnel on CPAP issues. The potential completion of the Philips recall in early 2023 and likely easing of chip supply issues will quickly restore organic revenue growth, margins and cash generation.
- **Palomar** outperformed following strong quarterly results. Most importantly, the company's business mix is becoming increasingly diverse. This is driving sustained high premium growth levels, margin consistency and a lower risk profile.
- **Progressive** shares rose, benefitting from its sensitivity to rising interest rates, via its large investment book. Additionally, recent monthly results illustrated that the company continues to see margin improvement in its personal auto business.

Key detractors from relative performance:

- **LivaNova** underperformed despite announcing solid quarterly results, with their core epilepsy and cardiopulmonary businesses doing well. Although the company's updates on their pipeline were in line with previous comments, there was probably some mild disappointment that they hadn't achieved statistical significance at their first read outs.
- **Intercontinental Exchange** (ICE) underperformed following an announcement that the company would acquire Black Knight Inc (BKI), a software, data and analytics company that serves the housing finance continuum. While the strategic rationale of the transaction has not received a lot of push-back, the purchase price, potential regulatory scrutiny and timing are key areas of investor concern.

- **Box** gave up some of the gains it made earlier in the year, a function of the broader sell-off of high-growth, technology names. Despite this weaker market sentiment, Box delivered strong quarterly results, beating consensus expectations.

Country/ Regional Exposure

Country/Region	Fund %	Benchmark %
United States	69.93	60.56
Japan	2.97	5.50
China	0.00	3.50
United Kingdom	6.20	3.95
Canada	0.00	3.27
Europe ex UK	9.37	12.09
Asia Pacific ex China & Japan	10.93	8.51
Emerging Europe, Middle East, Africa	0.00	1.60
Latin America	0.00	1.01
Cash	0.60	0.00
Total	100.00	100.00

Top 10 Holdings - Underlying Fund

Company	Fund %	Benchmark %	Country
Microsoft Corp	6.24	3.19	United States
Compass Group Plc	3.62	0.07	United Kingdom
Taiwan Semiconductor Man.	3.38	0.78	Taiwan
Encompass Health Corp	3.13	0.00	United States
Coca-Cola Co/The	3.10	0.43	United States
Carlisle Cos Inc	3.01	0.00	United States
Danaher Corp	3.00	0.28	United States
Sony Group Corp	2.97	0.20	Japan
Housing Development Fin.	2.78	0.08	India
Worley Ltd	2.77	0.00	Australia

Market Commentary

After April's renewed volatility, May proved to be a somewhat calmer month for global equities, with the MSCI All Country World Index (AUD, unhedged) returning -0.82%.

The best performing sector this month was (once again) energy, as the oil price continued to rally. With political sanctions continuing to tighten on Russia, oil supply looks effectively capped at or around current levels. The other sectors that outperformed this month were financials and utilities. The weakest sectors were consumer facing, with both consumer discretionary and staples underperforming. Despite the respite from bond yields, the information technology sector also failed to keep pace with the market in May.

Regionally speaking, most of the major geographic areas traded fairly similarly. The US marginally underperformed however, driven by its above average exposure to the information technology sector. The UK was one of the stronger performing regions, helped again by its relatively significant exposure to Big Oil and banking shares.

Market Outlook and Strategy

The market is very aware of the challenges faced by consumer-facing businesses as we move into the second half of the year. The recent profit warnings by Walmart and Target have amply illustrated the challenges faced by these businesses. Might there be other parts of the economy, however, where demand could prove more susceptible to a tightening of the purse strings by companies and consumers than is currently appreciated, where the starting valuation is much higher than the mid-teens P/E multiples that these businesses command? We are reviewing our holdings, to identify the areas where this risk is greatest.

At the same time, might there be parts of the market where the future looks brighter than was the case in the years of abundant liquidity, when almost all discretionary investment spending was being targeted at delivering the next big, disruptive technology? We won't sacrifice the pillars of Future Quality investing and – in particular – the need for sustainably rising cash returns on investment but there may be areas of opportunity in the older economy, where industry consolidation during the relatively fallow years will confer better pricing power on the remaining players if investment spending returns.

It feels that we are nearer to a time when macroeconomics may hold slightly less grip on investment decision making. We are not quite there yet, though, and our sense is that even after 'peak

inflation' is in the rearview mirror, there may be a lasting change in the prospects of some parts of the economy. We remain confident that the Fund represents a well-diversified collection of companies, capable of delivering strong cash generation in the coming years and investing this cash into compounding well above average levels of sales and profit growth.

Sector Exposure

Sector	Fund %	Benchmark %
Communication Services	0.00	7.82
Consumer Discretionary	12.90	10.96
Consumer Staples	7.27	7.26
Energy	2.77	5.17
Financials	14.45	14.78
Health Care	20.71	12.33
Industrials	15.61	9.38
Information Technology	21.34	21.35
Materials	2.25	5.11
Real Estate	2.10	2.75
Utilities	0.00	3.10
Cash	0.60	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 \$183.9 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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