

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	2.35	-0.98	10.82	23.64	20.94	18.91		
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.01		
Total Fund return (net) [#]	2.35	-0.98	10.82	23.64	20.94	18.92	18.30	8.95
Benchmark*	3.38	1.36	12.26	23.95	17.11	14.93	16.20	7.61
Excess return	-1.03	-2.34	-1.43	-0.30	3.83	3.99	2.10	1.34

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 underperformed the benchmark over the month.

Key contributors to relative performance:

- **HelloFresh** enjoyed a strong month after boosting their guidance for revenue growth at the start of November. HelloFresh are continuing to enjoy good momentum in active users (up almost 40% year on year), despite fears over a potential increase in users churning off the service during the northern hemisphere summer months.
- **Sony** outperformed after posting strong results right at the end of October, with better-than-expected sales and profits in their Pictures and Electronic Products as well as Solutions businesses.
- **Adobe** did well, in line with many technology stocks this month. There was little stock specific news that drove the outperformance.
- **LivaNova** and **Carlisle Group** also contributed to performance.

Key detractors from relative performance:

- **Palomar** underperformed despite starting the month with good financial results, where strong new premium growth was well received by investors. There was no stock specific news behind the sell-off.
- **Royal Philips** underperformed after the US Food and Drug Administration (FDA) issued a release setting out the agency's preliminary findings after inspecting the facility where Philips manufactured the sleep apnoea devices currently being recalled by the company. The findings suggested that the company were aware of a quality issue several years before initiating the recall and this stoked fears regarding the company's ability to successfully defend itself against legal actions.

- New holding **AdaptHealth** underperformed – not helped by the Royal Philips news flow during November (as sleep apnoea is 40% of Adapt's revenues).
- **Global Payments** and **LHC Group** also detracted from performance.

Country/ Regional Exposure

Country/Region	Fund %	Benchmark %
United States	70.71	61.42
Japan	3.39	5.73
China	1.56	3.85
United Kingdom	3.43	3.52
Canada	0.00	2.84
Europe ex UK	11.32	12.31
Asia Pacific ex China & Japan	8.04	7.83
Emerging Europe, Middle East, Africa	0.00	1.75
Latin America	0.00	0.76
Cash	1.54	0.00
Total	100.00	100.00

Top 10 Holdings - Underlying Fund

Company	Fund %	Benchmark %	Country
Microsoft Corp	7.25	3.51	United States
Amazon.com	4.01	2.36	United States
Accenture plc	3.85	0.34	United States
Adobe Inc	3.84	0.47	United States
Carlisle Companies	3.58	0.00	United States
Sony Group Corp	3.39	0.23	Japan
Taiwan Semiconductor	3.30	0.79	Taiwan
Abbott Laboratories	3.10	0.33	United States
HDFC Bank	2.93	0.09	India
Compass Group plc	2.76	0.05	United Kingdom

Market Commentary

In AUD terms, global equity markets pushed higher in November, with the MSCI All Countries World Index adding 3.38%. This return was notably better than that delivered in USD terms, with the market falling 2.41%. The appreciation of the USD (and 5% fall in the AUD) was driven by a renewed bid for safety as market volatility increased significantly towards month end, following the discovery of a new variant of COVID-19 in South Africa.

Information technology was by far the strongest performing sector this month – helped by its relatively high exposure to mega-cap stocks and its status as a relative winner if COVID-19 once again starts to impact economic recovery. Performance was more mixed among other cyclical sectors. Consumer discretionary outperformed however the arrival of the Omicron variant triggered a meaningful reversal of fortunes for both the energy and financials sectors. Both have been quite consistent outperformers in recent months but underperformed in November as fresh doubt was cast over the rate of economic growth going into 2022. Industrials and materials also underperformed over the period. Despite some respite later in the month as the COVID-19 clouds gathered yet again, defensive sectors generally continued to struggle this month, with communication services and healthcare failing to keep pace with markets. Consumer staples and real estate also marginally underperformed.

Regionally speaking, the US was the only region to outperform the index, helped by its relatively heavy exposure to big cap technology stocks. All the other major regional indices underperformed, with the UK and Europe faring worse than Asian markets.

Market Outlook and Strategy

The initial discovery of the Omicron variant was met with quite sensational reporting by some of the world’s media and this fed through quickly into investor sentiment. It is probably true, however, that even if Omicron had not surfaced it was probably about time that investors were again reminded of the volatility that resides in markets, despite the mollifying impact of endless liquidity injections by Central Banks.

Being at the centre of the Venn diagram depicting ‘inflation losers’ and ‘mid cap’ has been a very uncomfortable place to be in recent weeks. Being relatively new to public markets has also been a headwind during this time and new holding AdaptHealth and long-time holding Palomar have been hurt by the prevailing market conditions. When it comes to addressing underperforming stocks it is useful to ask, ‘If I didn’t own it already, would I buy it today?’ If the answer is ‘no’ then it is likely

only a fear of admitting you got it wrong or some other emotional attachment that is making you hold on. If the answer is ‘yes’, however, then you should be ready to take advantage of short-term factors to buy more.

We will not hide from the fact that this means tolerating underperforming shares from time to time, as long as we remain convinced about the long-term investment case. We continue to believe that we do not want all our ships sailing in the same direction. That means foregoing some short-term returns for smoother, better returns over longer time periods.

Sector Exposure

Sector	Fund %	Benchmark %
Communication Services	1.56	8.74
Consumer Discretionary	15.35	12.83
Consumer Staples	6.49	6.63
Energy	0.00	3.38
Financials	14.72	13.90
Health Care	19.24	11.41
Industrials	15.09	9.48
Information Technology	24.12	23.81
Materials	0.00	4.58
Real Estate	1.89	2.63
Utilities	0.00	2.62
Cash	1.54	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 \$194.9 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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