

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	1.28	0.20	8.84	26.02	20.00	19.19		
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.01		
Total Fund return (net) [#]	1.28	0.20	8.84	26.02	20.00	19.20	18.15	8.88
Benchmark*	1.08	1.08	10.05	28.35	15.22	15.02	15.92	7.50
Excess return	0.20	-0.88	-1.20	-2.33	4.78	4.18	2.23	1.38

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:

- **Microsoft** outperformed on the back of extremely strong quarterly results. Azure, Microsoft's cloud solution, grew 50% year-on-year, exceeding guidance.
- **SolarEdge** shares rose after a peer, Enphase Energy, published results at the end of the month, which reflected very strong demand for solar products. In addition, clean energy stocks soared after US President Biden unveiled his signature climate and social spending bill.
- **Anthem** outperformed on the back of impressive quarterly earnings driven by strong revenue growth, favourable medical costs, and continued growth in earnings contribution from IngenioRx (its pharmacy benefits manager).
- **Carlisle** and **Accenture** also contributed to performance.

Key detractors from relative performance:

- **HelloFresh (HFG)** underperformed as the market is anticipating a weaker quarter for the company. Q3 is typically HFG's weakest quarter due to seasonality. However, this Q3 is impacted by additional issues: 1) a couple of HelloFresh's fulfilment centres in the US incurred damages caused by Hurricane Ida and were forced to close for a short period, and 2) the company is being impacted quite significantly by labour challenges.
- **Encompass Health** shares fell after the company reported quarterly results that missed consensus expectations. The key driver of underperformance was weaker volumes in the home health and hospice business.
- **LHC Group** suffered after providing the market with a negative results pre-announcement and guidance

reduction. Echoing concerns in the market more broadly, labour pressure stood out as the key driver.

- **Global Payments** and **LivaNova** also detracted from performance.

Country/ Regional Exposure

Country/Region	Fund %	Benchmark %
United States	69.74	60.69
Japan	4.07	5.71
China	1.59	3.99
United Kingdom	3.59	3.62
Canada	0.00	2.92
Europe ex UK	11.84	12.57
Asia Pacific ex China & Japan	7.58	7.90
Emerging Europe, Middle East, Africa	0.00	1.82
Latin America	0.00	0.78
Cash	1.59	0.00
Total	100.00	100.00

Top 10 Holdings - Underlying Fund

Company	Fund %	Benchmark %	Country
Microsoft Corp	7.03	3.44	United States
Accenture plc	3.74	0.33	United States
Amazon.com	3.73	2.22	United States
Carlisle Companies	3.63	0.00	United States
Adobe Inc	3.61	0.45	United States
Sony Group Corp	3.20	0.21	Japan
Abbott Laboratories	3.07	0.33	United States
HDFC Bank	3.03	0.09	India
Compass Group plc	2.93	0.05	United Kingdom
Palomar Holdings	2.91	0.00	United States

Market Commentary

Global equity markets edged slightly higher in October, helped by a generally supportive corporate results season and a sense that only equities are likely to offer positive real returns in an inflationary environment.

Consumer discretionary was the strongest performing sector, rising almost 4% in absolute terms. Tesla is more than 10% of the sector benchmark and the stock climbed more than 40% in October, taking the company's market cap above USD1 trillion in the process. The information technology sector also outperformed, helped by positive sentiment towards growth stocks and the strength of quarterly results from Microsoft. Traditional beneficiaries of rising inflation levels also outperformed, with both energy and financials faring relatively well. Defensive sectors generally struggled this month, with consumer staples, healthcare, utilities and real estate all failing to keep pace with markets.

Regionally speaking, the US was the standout performer among the large regional markets. All the other major regional indices underperformed, albeit the underperformance was fairly limited in the case of both Europe and the UK. Japan and the Emerging Markets underperformed more meaningfully. Rising oil prices continue to pose a threat to consumer spending in emerging economies and the relative firmness of the US dollar is not helping sentiment towards these markets either.

Market Outlook and Strategy

With the very notable exceptions of Russia and China, the great and the good of global politics have gathered in Glasgow, attending the United Nations Climate Change Conference, also known as COP26. The hope is that they will be able to arrive at an agreement on the measures necessary to restrict the impact of our economic activity on the world around us. If the politicians can agree on the way forward, then they will then have the equally difficult task of convincing their populations / voters to stay the course on these long-lasting changes. In the case of Developing countries, this could mean foregoing some of the wealth generation enjoyed in the past by Developed countries.

The Federal Reserve are also weighing short-term pain versus longer-term gain. We will soon find out if the Federal Reserve are still convinced that the discomfort caused by the current uptick in energy prices, rents and wages is transitory in nature. If so, they will only gradually taper the monetary support that has underpinned asset prices so effectively over the last decade. Recent developments in fixed income markets (particularly the

pick-up in yields on short duration Government bonds) suggest that some investors believe that the Federal Reserve's assessment is wrong, and that more assertive monetary policy may be required. We certainly don't envy the Federal Reserve's task of tapering monetary support and containing inflation expectations, without spooking markets.

Sector Exposure

Sector	Fund %	Benchmark %
Communication Services	1.59	8.94
Consumer Discretionary	14.75	12.74
Consumer Staples	6.80	6.64
Energy	0.00	3.56
Financials	15.45	14.44
Health Care	18.65	11.54
Industrials	15.86	9.62
Information Technology	23.35	22.69
Materials	0.00	4.59
Real Estate	1.97	2.62
Utilities	0.00	2.62
Cash	1.59	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 \$191.6 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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