

# 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	-4.48	4.02	12.19	26.42	17.19	18.41		
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.01		
Total Fund return (net) <sup>#</sup>	-4.48	4.02	12.19	26.42	17.19	18.42	18.11	8.86
Benchmark*	-3.00	2.84	12.04	26.45	12.64	14.51	15.89	7.48
<b>Excess return</b>	<b>-1.48</b>	<b>1.18</b>	<b>0.15</b>	<b>-0.02</b>	<b>4.55</b>	<b>3.91</b>	<b>2.22</b>	<b>1.38</b>

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:

- **SVB Financial** outperformed materially towards month end as bond yields spiked again. They also announced an expansion into technology investment banking.
- **Sony Group** outperformed after announcing its intention to acquire a majority stake in India's largest publicly traded television network (Zee entertainment). The merged entity would give Sony a powerful new growth driver in one of the world's fastest growing major economies.
- **Tractor Supply** appreciated after management discussed the company's ability to benefit from long-term tailwinds. The CEO commented that the surge in pet adoption will benefit the feed business over the next 5 to 10 years, and rural revitalization, driven by millennials moving out of cities, is supporting all business categories more broadly.
- **Anthem** and **Compass Group** also contributed to performance.

Key detractors from relative performance:

- **Kingspan** failed to keep pace with the market, following a strong run on the back of an earnings upgrade for FY21 in July. Rising input cost inflation is an additional factor weighing on the stock.
- **Palomar** also saw some consolidation after a strong run following impressive quarterly numbers in August. In addition, Heath Fisher, co-founder of the company and president since the beginning of 2014, announced his resignation as president effective April 2022. Investors will be keen to see the appointment of a strong successor.
- **LHC Group** continues to be impacted by slower than expected recovery in hospice admissions post COVID and

rising wage costs for nurses across the industry. However, Hospice only accounts for 11% of LHC's sales.

- **HelloFresh** and **Adobe** also detracted from performance.

### Country/ Regional Exposure

Country/Region	Fund %	Benchmark %
United States	68.08	59.58
Japan	4.15	6.21
China	1.59	4.07
United Kingdom	3.69	3.68
Canada	0.00	2.85
Europe ex UK	12.22	12.67
Asia Pacific ex China & Japan	7.85	8.21
Emerging Europe, Middle East, Africa	0.00	1.86
Latin America	0.00	0.87
Cash	2.41	0.00
Total	100.00	100.00

### Top 10 Holdings - Underlying Fund

Company	Fund %	Benchmark %	Country
Microsoft Corp	6.25	3.07	United States
Amazon.com	3.80	2.27	United States
Accenture plc	3.49	0.31	United States
Carlisle Companies	3.38	0.00	United States
Adobe Inc	3.34	0.42	United States
Sony Group Corp	3.24	0.21	Japan
HDFC Bank	3.10	0.10	India
Compass Group plc	2.96	0.06	United Kingdom
Abbott Laboratories	2.95	0.32	United States
Taiwan Semiconductor	2.75	0.78	Taiwan

## Market Commentary

Global equity markets wrapped up their worst month since March 2020 thanks to rising yields, inflation fears, supply chain issues, and the Chinese Evergrande crisis. The global equity benchmark, the MSCI All Countries World Index, posted a return of -3.00% (AUD, unhedged) in September with most of the decline coming over the last four days of the month.

While the broad S&P 500 index declined 3.4% in September, non-US global equity markets had mixed performance in September. Brazil was hit particularly hard and plunged 12% over the month, while Switzerland, South Korea and Hong Kong also underperformed. Japan and India were among the few global equity markets with a positive return over the month.

US oil prices rose strongly in September which saw the energy sector jump 10%. All other GICS sectors had a negative return over the month, with financials (-0.27%) the next best performing sector after the energy sector. The materials (-6.0%), utilities (-5.2%) and information technology (-4.6%) sectors had the month's worst performance.

## Market Outlook and Strategy

Most people would agree that it is in the long-term interests of society to reduce our consumption of fossil fuels – given the damage done to our climate by extracting and burning them.

Forcing all of our limited resources down the path of renewable energy certainly makes sense when you look at the future, but under-investment in traditional energy sources is posing the very real risk of meaningful shortages in the short-term. Inflation is probably OK for politicians when its existence is limited to Bloomberg charts. This is less so, when it starts washing up in much higher utility bills for consumers / voters. It seems likely that elevated energy prices will act as a meaningful headwind for the increased consumer spending that most economists had been expecting as economies emerge from COVID-related shutdowns.

Our base case remains that the best form of defence in such uncertain times is to invest in companies that are generating substantial cashflows and investing this cash in innovation. If companies are making life easier and more profitable for their customers, they are less likely to see demand for their products and services diminished by any cost inflation experienced by customers. This month's portfolio additions (Masimo, Emerson and TSMC) are all good examples, with their products helping improve process efficiency across an array of applications.

In conclusion, current equity conditions are certainly providing a challenging environment. Bond yields are rising, and equity

investors are dusting off the playbook that served them well until May this year – favouring deep value sectors like energy and banks. Although short-term supply constraints and the structural reallocation of capital towards renewable energy sources may produce a period of rising energy prices, other economic indicators look less supportive of inflation and it seems very unlikely that Central Banks will allow bond yields to run too far. As such, we continue to prefer businesses where their long-term growth and returns are driven by more company-specific factors under our four pillars of Future Quality.

## Sector Exposure

Sector	Fund %	Benchmark %
Communication Services	1.59	9.28
Consumer Discretionary	17.47	12.44
Consumer Staples	4.53	6.77
Energy	0.00	3.52
Financials	15.22	14.39
Health Care	19.07	11.68
Industrials	15.64	9.66
Information Technology	22.14	22.34
Materials	0.00	4.66
Real Estate	1.93	2.63
Utilities	0.00	2.64
Cash	2.41	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 \$188.2 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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