

NIKKO AM NEW ASIA FUND

Fund Update

Fund Performance

	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	2 Years p.a. (%)	3 Years p.a. (%)	5 Years p.a. (%)	Since Inception p.a. (%)
Fund growth return	-1.23	-0.35	-2.80	-13.97	3.38	9.52	9.07	5.36
Fund distribution return	0.00	0.00	0.00	17.62	11.99	8.57	5.27	2.74
Total Fund return (net)	-1.23	-0.35	-2.80	3.65	15.37	18.09	14.34	8.10
Benchmark	-1.14	-1.87	-7.53	1.13	7.32	10.88	11.21	8.18
Excess return	-0.09	1.52	4.73	2.53	8.05	7.21	3.13	-0.08

Source: BNP Paribas. Net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Distribution return equals Total Fund (Net) minus Growth return. Past performance is not an indicator of future performance. Benchmark: MSCI All Country Asia ex Japan Index. Inception date: 24 November 2005.

The Fund underperformed the benchmark during the month in AUD terms.

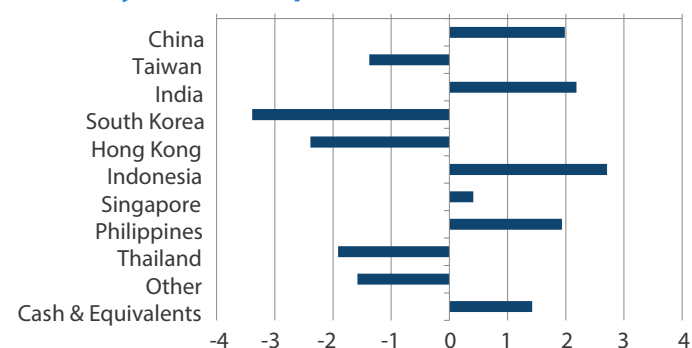
Key contributors to relative performance:

- At the sector level, **health care** stocks contributed positively.
- **Sun Pharmaceutical** continues to add value as optimism builds over its specialised product pipeline into 2022.
- The Fund's nil weighting to expensive growth orientated Chinese contract manufacturers aided performance, as they underperformed following concerns over the sustainability of revenues generated from US customers.

Key detractors from relative performance:

- At the sector level, **financials** detracted from performance.
- Shares in Indian banks, **Kotak Mahindra Bank** and **Bandhan Bank** detracted from performance.
- Hong Kong's **AIA Group** was also under pressure as the market sold-off on the potential for tighter restrictions once again being imposed in respective countries due to the Omicron variant.

Country Active Exposure (%)



Country Exposure

Sector	Fund %	Index %	Relative %
China	38.94	36.95	1.98
Taiwan	16.97	18.35	-1.38
India	16.38	14.20	2.18
South Korea	11.22	14.61	-3.39
Hong Kong	4.53	6.92	-2.39
Indonesia	4.36	1.65	2.71
Singapore	3.43	3.02	0.41
Philippines	2.74	0.81	1.93
Thailand	--	1.91	-1.91
Malaysia	--	1.58	-1.58
Cash & Equivalents	1.42	--	1.42
Total	100.00	100.00	0.00

Top 10 Holdings

Name	Fund %
Samsung Electronics Co Ltd	6.90
Tencent Holdings Ltd	6.32
Taiwan Semiconductor - SP ADR	6.20
AIA Group Ltd	4.53
Reliance Industries	3.96
Sun Pharmaceutical Industries	3.02
Taiwan Semiconductor Manufacturing Co Ltd	2.90
Indusind Bank Ltd	2.67
DBS Group Holdings	2.58
Johjee Hi-tech Industrial and Commercial	2.28

Market Commentary

Easing worries about the impact of the Omicron variant supported market sentiment. For the month, the MSCI AC Asia ex Japan Index gained 1.4% in US dollar (USD) terms. Thailand, South Korea and Taiwan outperformed, while the Philippines and China lagged.

Taiwan (5.4% in USD terms) and South Korea (6.3%) were buoyed by strong exports, as sustained global demand for electronics supported hardware tech stocks amid widespread supply chain disruptions. Taiwan's central bank raised its 2021 estimate for

GDP growth to 6.0% and kept its benchmark rate at a record low. In Korea, a rebound in services spending caused the average consumer inflation rate for 2021 to reach a decade high of 2.5%, leading the central bank to leave the door open for a further rate hike in January.

On the other hand, China (-3.2%) and Hong Kong (0.5%) underperformed the regional index. Chinese tech stocks continued to fall after the US placed several Chinese companies on investment and export blacklists. Meanwhile, a COVID-19 outbreak in Xi'an also weighed on sentiment, with chip makers Samsung Electronics and Micron Technology warning that the lockdown could affect their manufacturing bases in the area. To bolster the economy, the Chinese government cut its reserve requirement ratio (RRR) by 50 basis points, loan prime rate (LPR) by 5 basis points and signalled further stimulus measures including targeted lending to businesses and support for the housing market.

The ASEAN region saw mixed returns. Thailand (6.4%) was the best performer in the region. During the month, Thai policymakers approved a new package of stimulus measures including tax deductions for shoppers, in a bid to support domestic consumption as tourism continues to be hobbled by the pandemic. Malaysia gained 4.2% in USD terms. Its parliament passed its largest ever budget for 2022, allocating over 330 billion ringgit to support the post-pandemic economic recovery. Conversely, the Philippines (-2.2%) was the only ASEAN market to post negative returns, as Typhoon Rai forced the nation to scale down and delay COVID-19 vaccinations for millions of affected citizens.

India gained 3.7% in December. Manufacturing activity grew at its fastest pace in 10 months in November, led by robust domestic demand and a strong increase in production and sales. Separately, India's cabinet approved incentives worth 760 billion rupees over six years towards semiconductor manufacturing, in a bid to position the nation as a global hub for electronics.

Sector Exposure

Sector	Fund %	Benchmark %
Information Technology	31.95	25.86
Financials	17.53	18.63
Communication Services	12.09	10.48
Health Care	10.09	4.44
Materials	5.86	5.24
Consumer Discretionary	5.47	14.60
Industrials	5.20	6.28
Energy	3.96	2.89
Consumer Staples	3.78	5.01
Utilities	1.37	2.84
Real Estate	1.28	3.72
Cash & Equivalents	1.42	--
Total	100.00	100.00

Fund Objective

To outperform the MSCI All Country Asia ex Japan Index (in Australian dollar terms) over the long term after fees and expenses but before taxes.

Key Facts

Responsible Entity	Buy/Sell Spread
Yarra Investment Management Limited	0.25/0.25
APIR Code	Asset Allocation
TGP0006AU	Asian securities (ex Japan)*
ARSN	80 – 100
116 556 113	Cash & short-term securities** 0 – 20
Fund Size	Distribution Frequency
AUD 20.03 million	Annually
Minimum Investment	Benchmark
AUD 10,000	MSCI All Country Asia – ex Japan Index (in Australian Dollar terms)

* Investments in Asian securities include ADRs and GDRs of Asian domiciled companies listed in the US and Europe.

** Investments in cash includes cash equivalents such as other investment grade interest bearing securities.

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