

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	-6.09	-6.14	-19.11	-21.38	-8.29	-1.61	2.02	3.86
Fund distribution return	5.92	5.92	5.10	4.96	12.08	9.65	6.12	3.01
Total Fund return (net)	-0.17	-0.22	-14.01	-16.42	3.80	8.04	8.14	6.87
Benchmark	-0.36	-0.63	-11.48	-18.15	2.38	2.80	5.37	7.13
Excess return	0.20	0.41	-2.53	1.73	1.41	5.24	2.77	-0.27

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 outperformed the benchmark during the month in AUD terms.

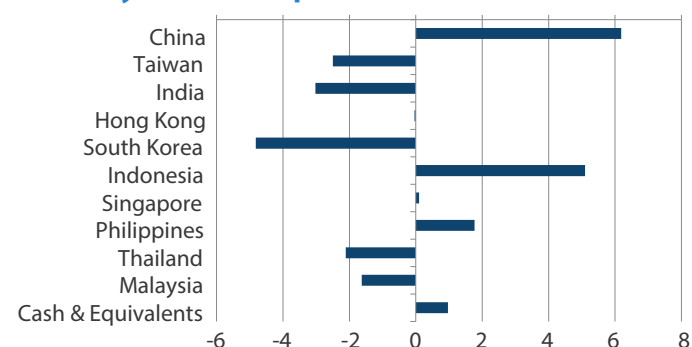
Key contributors to relative performance:

- At the sector level, **industrials** and **information technology** contributed to performance.
- At the country level, **China** and **Hong Kong** contributed to performance along with underweight allocations to **Korea** and **Taiwan**.
- Ming Yang Smart Energy**, China's leading privately owned wind turbine manufacturer rallied on a combination of easing competition, new order wins and increasing penetration of overseas markets. **AIA Group**, Asia's leading life insurance company outperformed on evidence of China's lockdown measures easing across cities and continuation of their first buyback program.

Key detractors from relative performance:

- At the sector level, **materials** detracted from performance.
- At the country level, holdings in **Indonesia** detracted the most.
- Merdeka Copper Gold** and **Vale Indonesia** a leading nickel producer, were under pressure given recession concerns across developed markets which in turn led underlying commodity prices to correct quite abruptly.

Country Active Exposure (%)



Country Exposure

Sector	Fund %	Index %	Relative %
China	45.60	39.42	6.18
Taiwan	13.66	16.15	-2.50
India	11.12	14.15	-3.03
Hong Kong	7.74	7.78	-0.04
South Korea	7.72	12.53	-4.82
Indonesia	7.13	2.03	5.09
Singapore	3.49	3.40	0.10
Philippines	2.57	0.80	1.77
Thailand	--	2.11	-2.11
Malaysia	--	1.63	-1.63
Cash & Equivalents	0.97	--	0.97
Total	100.00	100.00	0.00

Top 10 Holdings

Name	Fund %
AIA Group	7.74
Taiwan Semiconductor	5.65
Tencent Holdings	5.47
Samsung Electronics Co	5.27
Reliance Industries	4.30
Baidu Inc	4.09
Bank Central Asia	3.50
JD.com Inc	3.17
Proya Cosmetics Co.	3.03
Ming Yang Smart Energy Group	2.71

Market Commentary

Fears of a recession and a four-decade high annualised U.S. CPI of 8.6% in May 2022 rippled through various economies. The US Federal Reserve (Fed) reacted to the elevated CPI by raising interest rates by 75 basis points (bps), the largest in 25 years, whilst preparing market-watchers for another interest rate hike of 50bps or 75bps. Asian markets took heed from the multiple headwinds

in the US market, with inflation being a common theme across local markets. The MSCI Asia ex Japan Index fell by 4.5% in US dollar (USD) terms. Despite this tough external environment Chinese and Hong Kong stocks were up in absolute terms over the month and quarter whilst the rest of the region was impacted by foreign currency effects.

Chinese stocks made headway, returning 6.6% in USD terms as China halved the quarantine period for inbound travellers. Its reopening earlier in the month allowed factories to ramp up production and eased snags in supply chains. China held steady its benchmark lending rates again and announced its intention to make port operations more efficient to boost trade. Hong Kong also outperformed at 1.2% even as the Hong Kong Monetary Authority raised its base rate by 75bps. Market sentiment was seemingly unaffected even as most businesses in Macau were closed due to a COVID-19 outbreak, with the city opting to adhere to China's zero-COVID policy. Taiwan (-14.2%) and South Korea (-17.1%) fell on the back of inflationary concerns, in addition to a drop in demand, sales and orders of chips, notebooks and smartphones.

The entire ASEAN region retreated in the wake of rising inflation. The Philippines fell by 13.6% as its central bank hiked policy rates by 25bps and indicated the likelihood of an increase of the same magnitude in August to combat inflation, with the CPI increasing 5.4% in May year-on-year. Food inflation in Malaysia (-8.2%) was the highest since 2017 in May, and apart from providing cash handouts to lower-income earners, exports of food products have been curbed to secure local supplies and to cap costs. The CPI of Indonesia (-9.3%) rose 3.55% on an annual basis in May, reaching the upper limit of Bank Indonesia's target range of 2 to 4%. Singapore (-7.5%) introduced a support package exceeding USD 1 billion for lower-income groups to mitigate higher costs and inflation, which rose 3.6% in May year-on-year, on a core inflation basis. Thailand's (-8.4%) CPI jumped 7.1% from a year earlier, and its central bank warned that delaying rate hikes would be detrimental whilst holding its key rate at a record low to aid economic recovery. India fell by 6.7%. The Reserve Bank of India increased its key interest rate by 50bps to combat inflation, CPI and wholesale prices climbed 7.04% and 15.88% respectively in May on a year-on-year basis. India's merchandise trade deficit also ballooned to more than \$23 billion due to rising commodity and fuel prices.

Sector Exposure

Sector	Fund %	Benchmark %
Information Technology	23.96	21.37
Financials	21.72	20.38
Communication Services	12.39	10.44
Industrials	9.95	6.64
Health Care	8.21	4.01
Consumer Discretionary	8.10	15.81
Materials	4.79	5.17
Energy	4.30	3.68
Consumer Staples	3.03	5.33
Utilities	1.62	3.06
Real Estate	0.96	4.13
Cash & Equivalents	0.97	--
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 16.08 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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