

# 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	-6.22	-9.70	-15.24	-27.22	-15.82	-5.46	-0.83	3.17
Fund distribution return	0.00	0.00	5.34	4.59	11.09	9.27	5.95	2.95
Total Fund return (net)	-6.22	-9.70	-9.90	-22.63	-4.73	3.81	5.11	6.12
Benchmark	-6.99	-7.84	-8.42	-19.95	-4.67	0.25	2.81	6.51
<b>Excess return</b>	<b>0.77</b>	<b>-1.86</b>	<b>-1.48</b>	<b>-2.68</b>	<b>-0.06</b>	<b>3.56</b>	<b>2.31</b>	<b>-0.39</b>

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.

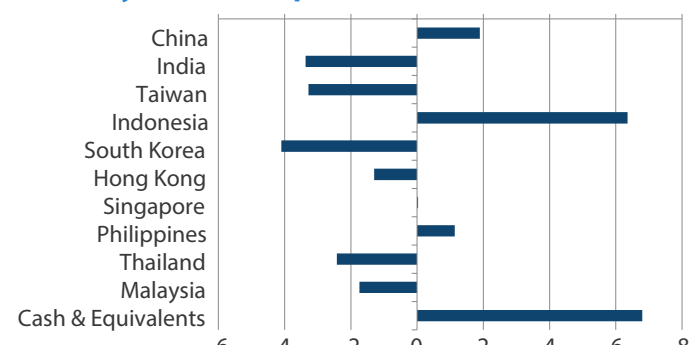
Key contributors to relative performance:

- At the country level, **Indonesia** and an underweight allocation to **Korea** contributed to performance.
- At the sector level, **financials** contributed to performance.
- Indonesia's **Bank Central Asia** outperformed on resilient and improving loan growth, and Bank Indonesia's first interest hikes, which should eventually filter through to higher net interest margins.
- **IndusInd Bank** shares outperformed as the bank confirmed a return to asset growth following a number of years of balance sheet repair under the current CEO.

Key detractors from relative performance:

- At the country level, an underweight allocation to **India** detracted from performance.
- At the sector level, **consumer discretionary** detracted from performance.
- Chinese automaker **Geely Automotive** and Chinese supply chain finance company **Linklogis Inc.** both saw their shares come under pressure owing to continued concerns on both the local property sector and poor consumer confidence impacting near-term sales.

### Country Active Exposure (%)



### Country Exposure

Sector	Fund %	Index %	Relative %
China	37.69	35.80	1.89
India	14.14	17.51	-3.37
Taiwan	12.50	15.78	-3.28
Indonesia	8.89	2.53	6.35
South Korea	8.07	12.17	-4.10
Hong Kong	6.08	7.38	-1.30
Singapore	3.89	3.86	0.03
Philippines	1.94	0.80	1.14
Thailand	--	2.42	-2.42
Malaysia	--	1.74	-1.74
Cash & Equivalents	6.80	--	6.80
Total	100.00	100.00	0.00

### Top 10 Holdings

Name	Fund %
AIA Group Ltd	6.08
Taiwan Semiconductor - SP ADR	5.70
Reliance Industries	4.28
Samsung Electronics Co Ltd	4.26
Bank Central Asia	4.22
Baidu Inc	3.50
Kotak Mahindra Bank	3.39
Tencent Holdings Ltd	3.35
DBS Group Holdings	2.82
JD.com Inc.	2.75

### Market Commentary

Markets remain nervous globally owing to a combination of sharply higher rates, escalating geopolitical conflict and recessionary concerns weighing on sentiment. While we would not attempt to forecast the outcome or timing of these events, we would point out that in Asia, a significant amount of concern is already reflected in valuations which are close to crisis level lows. This is

despite a relatively tamer inflationary and rate outlook owing to an abundance of labour availability in most countries. For Asia, the most significant upcoming event is China's 20th National Party Congress on the 16 October. After the event, we will have a clearer picture of the key decision makers for at least the next five years in the world's second largest economy.

While we are unlikely to see any meaningful policy changes immediately after the congress concludes, we are expecting more clarity on China's exit strategy for zero-COVID and more economic support initiatives as key decision-making resumes over time. These are well-needed, as confidence and activity levels in the hugely important property sector are at extreme lows and evidence of financial strain grows. There are multiple levers authorities can pull to add further support but for political reasons, they have so far refrained from doing so. The Fund has over the course of recent months added to areas aligned with authorities' long term strategic goals, specifically in areas advancing consumption, improving the cost of living, self-sufficiency and energy security.

Elsewhere in North Asia, we remain largely on the sidelines in export and hardware technology heavy markets of Korea and Taiwan. While markets are starting to price in some demand risk to consumer-orientated technology, we do not see any material positive fundamental changes on the horizon and thus retain select positions mainly in areas of healthcare and energy infrastructure build-out.

India and ASEAN's advantages of young, relatively cheap and in some cases well-skilled workforces have been re-emphasised as multi-national corporations globally look to diversify their supply chains away from a high reliance on China. This, together with positive reforms and targeted subsidies, are resulting in strong FDI inflows for a number of these countries. In addition, the terms of trade shock resulting from Russia's invasion of Ukraine continues to provide support for markets such as Indonesia which for now look to be re-investing these windfalls into more longer-term growth opportunities. While some of these fundamental changes are becoming more well-reflected in valuations and positioning, we remain invested in areas such as banks, renewable and electric vehicle materials and consumption.

## Sector Exposure

Sector	Fund %	Benchmark %
Financials	21.38	21.11
Information Technology	21.19	20.83
Health Care	10.43	3.95
Communication Services	9.88	9.69
Industrials	8.93	6.72
Consumer Discretionary	7.76	15.12
Energy	4.28	3.94
Materials	3.99	5.50
Consumer Staples	2.73	5.77
Real Estate	1.64	4.06
Utilities	0.98	3.31
Cash & Equivalents	6.80	--
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## 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

<b>Responsible Entity</b> Yarra Investment Management Limited	<b>Buy/Sell Spread</b> 0.25/0.25
<b>APIR Code</b> TGP0006AU	<b>Asset Allocation</b> Asian securities (ex Japan)* 80 – 100
<b>ARSN</b> 116 556 113	Cash & short-term securities** 0 – 20
<b>Fund Size</b> AUD 14.50 million	<b>Distribution Frequency</b> Annually
<b>Minimum Investment</b> AUD 10,000	<b>Benchmark</b> 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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