

# Yarra Global Share Fund

## Net returns as at 31 August 2023

	1 month %	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Global Share Fund#	2.36	4.32	10.33	13.77	9.15	10.24	13.57	8.31
MSCI All Countries World Index <sup>^</sup>	1.14	6.53	14.83	20.62	12.08	9.85	12.33	7.36
Excess Return <sup>‡</sup>	1.23	-2.22	-4.51	-6.84	-2.93	0.39	1.25	0.95

**Past performance is not a reliable indicator of future performance. Taxes payable by investors have not been taken into account.** The figures shown have been provided for illustrative purposes – they are unaudited and subject to change. The total returns shown are prepared on an exit to exit basis – they include all ongoing fees and expenses and assume reinvestment of all distributions.

\* Inception date of Yarra Global Share Fund: November 1995.

# Effective 20 March 2023, the Fund was renamed from the Nikko AM Global Share Fund to the Yarra Global Share Fund. There was no change to the Fund's investment team, philosophy or process. The Fund gains exposure to global equities 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 société d'investissement, a capital variable).

<sup>^</sup> Benchmark: MSCI All Countries World Index (with net dividends reinvested) expressed in Australian Dollars (unhedged).

<sup>‡</sup> Excess return: The excess return figures shown represent the difference between the Fund's return and the benchmark.

### Portfolio review

The Fund returned 2.36% (after fees) in August, to outperform the Index return of 1.14% by 123 basis points (bps). Over the longer term (7 years), the Fund's return of 13.07% per annum (p.a.) is 137 bps p.a. ahead of the Index return of 11.69% p.a.

Key contributors to relative performance:

- **Samsonite International S.A.** outperformed on the back of a strong set of quarterly numbers, with sales in all regions returning to pre-COVID levels and significantly stronger margins, because of the new expense structure. Management commentary on continued global travel demand was very encouraging.
- **Encompass Health Corporation** rallied after releasing strong quarterly earnings. Patient volume growth is recovering more quickly than expected, following the disruption caused by COVID-19. At the same time, some of the cost pressures related to the public health emergency are continuing to normalise (principally staffing costs). The combination of these factors saw quarterly profits come in 15% ahead of market expectations and the company raised its full year guidance at the same time.
- **Progressive Corporation** was strong after issuing a reassuring trading update during the month. In particular, premium growth remained strong (at 21%) and the combined ratio came in lower than expected in its auto insurance business, after seeing some short-term pressure the previous month.
- **TransUnion** and **Accenture** both outperformed as long duration, growth stocks started to push higher, in response to macroeconomic data. In particular, data was released towards month-end that showed some slowing down in the US labour market. If this persists, this will lead to lower pressure on the Federal Reserve to

raise interest rates further.

Key detractors to relative performance:

- **Palomar Holdings, Inc.** underperformed, as the company continues to face reinsurance headwinds. Despite this, the company should be able to successfully manage its way through these issues due to its sensible approach to underwriting, unique earthquake-focused book, and growth opportunities in the earthquake insurance market.
- **Box, Inc.** shares declined after cutting its full-year revenue forecast in its quarterly earnings release. The challenging macroeconomic environment has been affecting Box customers' IT budgets, hampering user growth and revenue retention for the company.
- The Japanese market had been performing well versus other markets due to a combination of a more stable currency and a greater push amongst market participants for better capital allocation amongst listed companies. However, over the last few months, we have seen a combination of profit taking and renewed weakness in the Japanese yen, and this has been the major factor behind the relative weakness of **Sony Group Corporation**. Lacklustre results in August also weighed on the shares.
- **HDFC Bank Limited**, alongside other Indian banks, struggled to perform after it was forced to raise funds in the money markets to address immediate financial needs following the central bank's decision to maintain a 10% incremental cash reserve ratio, as part of its efforts to drain excess liquidity from the banking system.
- **Abbott Laboratories** underperformed on the back of Novo Nordisk's SELECT trial data, which demonstrated that Semaglutide 2.4mg reduces the risk of major adverse cardiovascular events by 20% in adults with obesity. There is a concern for MedTech players, like Abbott, that

adoption of this drug will lead to reduced demand for interventional cardiovascular and diabetes solutions. However, it is very early days, and the jury is still out on the impact of these drugs. MedTech players, like Abbott, were also negatively impacted by commentary that surgery volume growth was beginning to stabilise, signalling a return to more normalised growth in the coming quarters.

## Market review

Most global equity markets posted negative returns in US dollar terms in August, with the MSCI All Countries World Index returning -2.73%. The depreciation of the Australian dollar however boosted returns for unhedged Australian investors, resulting in the benchmark rising 1.14% in Australian dollar terms - consolidating gains made earlier in the year. The month saw a real two-way pull, between deteriorating economic data and hopes that this would soon lead to a more supportive monetary policy backdrop.

Although Fed Chairman Jerome Powell struck a predictably hawkish tone at his annual Jackson Hole address, he did emphasise that any further rate hikes would be data dependent. This month's batch of economic data suggested more firmly than in recent months, that further monetary tightening may not be necessary, with the US economy continuing to cool gradually. The US Consumer Price Index (CPI) has continued to moderate (to 3.2%) and most observers would accept that it would likely be lower still once slower moving components like rental payments reflect today's economic reality, rather than the reality of 6-12 months ago.

Even the US labour market is beginning to exhibit some slack and this is likely crucial before the Fed will even consider striking a more dovish tone. The labour participation rate is finally moving higher, quit rates are falling and average hourly earnings are moderating. Non-farm payrolls also cooled more than expected this month. In the past, it has often been developments in the US labour market that have catalysed a change of monetary approach and this time would appear no different.

Economic data has also been weak in other geographies this month, with increasing defaults noted in the Chinese real estate sector. Whilst the Chinese Authorities have implemented several easing measures to restore confidence (including Stamp Duty reductions and reduced minimum downpayments for buyers), these have yet to have much impact. Gauges of economic performance in Europe have also continued to weaken with the region's composite Purchasing Managers Index (PMI) firmly in contraction at 46.7, industrial production falling and consumer confidence weakening.

The oil price has, however, bucked this generally negative tone – rising towards USD90 per barrel by the end of the month (having been as low as USD70 per barrel as recently as June). Continued OPEC+ production cuts, demand from the US driving season and an end to the US drawing down its Strategic Petroleum Reserve all contributed to this strength.

As a result, the energy sector was the best performing sector in the market this month – rising more than 5%. Other sectors that outperformed included healthcare, communication services and information technology (though the magnitude of the latter two's relative outperformance was much less than earlier in the year). Underperforming sectors included materials (likely impacted by those fears over Chinese demand) and financials. Several defensive sectors also failed to keep up with the market this month – including utilities, real estate and consumer staples – suggesting that most investors continue to position for a soft landing in the US economy, rather than a painful recession.

In a further sign of this optimism, the US outperformed the market in August. Japan also performed relatively well. The weakest performance was seen in Emerging Markets – with emerging Asia and Latin America comfortably lagging the market. Europe and the UK also underperformed somewhat.

## Country / regional exposure

	Fund %	Benchmark %
United States	58.91	62.65
Japan	4.43	5.49
China	0.00	3.09
United Kingdom	10.74	3.53
Canada	0.00	2.82
Europe ex UK	7.48	12.24
Asia Pacific ex China & Japan	14.88	7.72
Emerging Europe, Middle East, Africa	0.00	1.51
Latin America	0.00	0.94
Cash	3.57	0.00

## Sector exposure

	Fund %	Benchmark %
Communication Services	2.98	7.51
Consumer Discretionary	13.68	11.32
Consumer Staples	7.66	7.15
Energy	4.27	4.90
Financials	13.26	15.42
Health Care	17.77	11.76
Industrials	12.47	10.45
Information Technology	21.75	22.06
Materials	2.59	4.48
Real Estate	0.00	2.33
Utilities	0.00	2.63
Cash	3.57	0.00

## Top 10 holdings (underlying Fund)

	Portfolio %	Benchmark %	Country
Microsoft Corporation	6.77	3.63	United States
Accenture plc	3.46	0.32	United States
Netflix, Inc.	2.98	0.30	United States
KBR, Inc.	2.85	0.00	United States
Haleon plc	2.84	0.03	United Kingdom
Worley Limited	2.81	0.00	Australia
Samsonite International S.A.	2.81	0.00	Hong Kong
Compass Group plc	2.71	0.07	United Kingdom
Schlumberger N.V.	2.68	0.13	United States
TransUnion	2.65	0.02	United States

Portfolio holdings may not be representative of current or future investments. The securities discussed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not be profitable.

## Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	13.77	9.15	10.24	12.37
Distribution return	-	-	-	1.20

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.

## Features

Investment 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.	
Recommended investment time frame	5+ years	
Fund inception	November 1995	
Fund size	A\$287 million as at 31 August 2023	
APIR code	SUN0031AU	
Estimated management cost	0.99% p.a.	
Buy/sell spread	+/- 0.15%	
Platform availability	AMP North Asgard BT Panorama Hub24 Macquarie Wrap MLC Navigator MLC Wrap	Netwealth OneVue PortfolioCare Praemium uXchange Wealth02 Xplore Wealth

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## Applications and contacts

Investment into the Yarra Global Share Fund can be made by Australian resident investors only.

**Website** [www.yarracm.com](http://www.yarracm.com)

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