

Yarra Global Share Fund

Net returns as at 30 June 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#	2.17	6.04	10.78	14.42	10.38	11.39	14.14	8.28
MSCI All Countries World Index [^]	2.87	6.83	16.07	20.38	12.24	10.38	12.57	7.27
Excess Return [‡]	-0.70	-0.80	-5.30	-5.96	-1.86	1.01	1.57	1.01

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).

[^] Benchmark: MSCI All Countries World Index (with net dividends reinvested) expressed in Australian Dollars (unhedged).

[‡] Excess return: The excess return figures shown represent the difference between the Fund's return and the benchmark.

Portfolio review

The Fund returned 2.17% (after fees) in June, to underperform the Index return of 2.87% by 70 basis points (bps). Over the longer term (5 years), the Fund's return of 11.39% per annum (p.a.) is 101 bps p.a. ahead of the Index return of 10.38% p.a.

Key contributors to relative performance:

- **Chart Industries Inc.** share price surged following the announcement of the sale of one of its non-core divisions – Roots, a low-pressure compression and vacuum business - for 300 million USD to Ingersoll Rand. Divesting non-core assets was one of the core objectives for Chart's CEO, Jill Evanco, after the company's large acquisition of Howden Engineering, announced in November 2022. The acquisition had shone a light on Chart's gearing and balance sheet strength, so this divestment was a welcome relief for shareholders.
- **Schlumberger N.V.** and **ChampionX Corporation** recovered after senior management reconfirmed their confidence in forecasts and future strength in energy services for the medium term at a sell side conference. Additionally, the Kingdom of Saudi Arabia further cut their oil production quota in response to continued weak commodity prices.
- **Tenet Healthcare Corporation** shares climbed higher on favourable trends in the hospital and surgery centre settings, namely an uptick in procedure volumes and improving labour conditions. Furthermore, the company appointed a new CFO, Sun Park, due to start on 1st January 2024. Park has commercial and operational finance experience in healthcare, and it is encouraging to see that he will have 6 months to shadow Dan Cancelmi, the current CFO, helping to ensure a smooth transition.
- **KBR, Inc.** has continued to perform strongly, and while there was no specific news directly impacting the stock,

sentiment may have been modestly buoyed by the announcement that US politicians had finally reached agreement on lifting the US debt ceiling, removing near term threats to spending by US Government Agencies, many of whom are important customers of KBR.

Key detractors to relative performance:

- The Japanese market had been performing well versus other markets due to a combination of a more stable currency (as normalisation of policy was expected) and a greater push amongst market participants for better capital allocation amongst listed companies. However, in June, we have seen a combination of profit taking and renewed weakness in the Yen, and this has been the major factor behind the relative weakness of both **Hoya Corporation** and **Sony Group Corporation** over the period.
- **Worley Limited** struggled to keep up with a rising market, there was no stock specific reason that, in the manager's view, could explain its weaker performance.
- **Rentokil Initial plc** shares gave up some their strong gains over the past 3 months. There was no particular news though some sell side estimates for 2023 were reduced a little to reflect recent currency fluctuations, in particular a weakening US Dollar. We continue to expect strong results in July and further gains with the integration of Terminix.
- **Accenture Plc** underperformed after quarterly results confirmed an ongoing slowdown in discretionary spending on IT by their customers. Strategy and Consulting sales were already slowing last quarter but were joined by systems implementation work this quarter.

Market review

June saw another month of positive performance in equity markets, with the MSCI All Countries World Index rising 2.87% (AUD, unhedged). Although the Federal Reserve delivered the expected pause in rate hikes, Policy members continued to sound relatively hawkish during the month – talking of a continued need for further rate hikes. Despite this, investors have reacted well to resilient economic data in the US. For now at least, economic good news is being treated as such, rather than as a harbinger of further monetary tightening, which could lead to a cooling in economic activity in time.

Measures of US consumer confidence came in comfortably ahead of economists' expectations towards month end. The resilience of the US labour market and the continued decline in inflation seem to be making US consumers feel better about life at present. This was reflected in both better than expected retail sales (excluding autos and gas) and home sales.

US bond yields have risen again this month, with the yield on the widely watched 10-year Bond closing the month back up at 3.8%. Credit spreads, however, have remained under control and this weighed more on sentiment in the market. The US dollar has also had a relatively quiet month, appreciating slightly, against the currencies of its major trading partners. This is despite the economic picture continuing to look less encouraging in other parts of the world. China has continued to deliver weaker than expected economic performance and despite expectations, the Central Government have not yet delivered material economic stimulus. In the manager's view it is difficult to see how consumer confidence in the country will be quickly restored without this, after the real estate market policy tightening last year – with so much of the country's wealth closely tied to developments in this part of the economy.

Recent developments in Europe have not been particularly positive either. Germany's IFO Business Expectations survey came in weaker than expected this month – as did the country's factory orders and retail sales. Economic performance in France continues to look better than the Eurozone's other big economies but, in the manager's view, it is not strong enough to offset the weakness in its larger neighbour.

Economic cyclicals recovered from May's weakness in response to the better-than-expected US economic performance. The best performing sectors this month were Consumer Discretionary and Industrials. Energy and Materials also outperformed the benchmark. Information Technology performed in line with the market and the major underperformers were defensives, with Healthcare, Consumer Staples and Utilities all failing to keep pace with the market.

The economic performance noted above was broadly reflected in regional equity market performance this month, with the US leading the way and Europe and Emerging Asia underperforming. Japan also underperformed this month, having enjoyed a relatively strong start to the year.

Country / regional exposure

	Fund %	Benchmark %
United States	68.24	61.70
Japan	2.12	5.63
China	0.00	3.13
United Kingdom	6.89	3.67
Canada	0.00	2.88
Europe ex UK	5.40	12.53
Asia Pacific ex China & Japan	13.78	8.03
Emerging Europe, Middle East, Africa	0.00	1.50
Latin America	0.00	0.93
Cash	3.57	0.00

Sector exposure

	Fund %	Benchmark %
Communication Services	2.42	7.29
Consumer Discretionary	12.84	11.32
Consumer Staples	7.77	7.25
Energy	4.00	4.61
Financials	12.92	15.19
Health Care	17.90	11.83
Industrials	13.47	10.45
Information Technology	22.09	22.45
Materials	3.03	4.55
Real Estate	0.00	2.28
Utilities	0.00	2.77
Cash	3.57	0.00

Top 10 holdings (underlying Fund)

	Portfolio	Benchmark	Country
Microsoft Corporation	7.01	3.79	United States
Accenture Plc Class A	3.29	0.31	United States
Linde plc	3.03	0.29	United States
KBR, Inc.	3.01	0.00	United States
Compass Group Plc	2.99	0.08	United Kingdom
Haleon Plc	2.84	0.03	United Kingdom
Amadeus IT Group	2.81	0.05	Spain
Housing Development Finance Corporation	2.72	0.09	India
Schlumberger N.V.	2.64	0.11	United States
Worley Limited	2.60	0.00	Australia

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	14.42	10.38	11.39	12.93
Distribution return	0.00	0.00	0.00	1.21

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\$280.5 mn as at 30 June 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

Applications and contacts

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

Website www.yarracm.com

Investor Services Team 1800 034 494 (Australia) +61 3 9002 1980 (Overseas) IST@yarracm.com

Disclaimers

Yarra Funds Management Limited (ABN 63 005 885 567, AFSL 230 251) ('YFM') is the issuer and responsible entity of a range of registered managed investment schemes, which includes those named in this document ('Funds'). YFM is not licensed to provide personal financial product advice to retail clients. The information provided contains general financial product advice only. The advice has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client's objectives, financial situation or needs. Prior to investing in any of the Funds, you should obtain and consider the product disclosure statement ('PDS') and target market determination ('TMD') for the relevant Fund by contacting our Investor Services team on 1800 034 494 or from our website at www.yarracm.com/pdsupdates/. The information set out has been prepared in good faith and while Yarra Funds Management Limited and its related bodies corporate (together, the "Yarra Capital Management Group") reasonably believe the information and opinions to be current, accurate, or reasonably held at the time of publication, to the maximum extent permitted by law, the Yarra Capital Management Group: (a) makes no warranty as to the content's accuracy or reliability; and (b) accepts no liability for any direct or indirect loss or damage arising from any errors, omissions, or information that is not up to date. No part of this material may, without the Yarra Capital Management Group's prior written consent be copied, photocopied, duplicated, adapted, linked to or used to create derivative works in any form by any means.

YFM manages each of the Funds and will receive fees as set out in each PDS. To the extent that any content set out in this document discusses market activity, macroeconomic views, industry or sector trends, such statements should be construed as general advice only. Any references to specific securities are not intended to be a recommendation to buy, sell, or hold such securities. Past performance is not an indication of, and does not guarantee, future performance. Information about the Funds, including the relevant PDSs, should not be construed as an offer to any jurisdiction other than in Australia. With the exception of some Funds that may be offered in New Zealand from time to time (as disclosed in the relevant PDS), we will not accept applications from any person who is not resident in Australia or New Zealand. The Funds are not intended to be sold to any US Persons as defined in Regulation S of the US federal securities laws and have not been registered under the U.S. Securities Act of 1933, as amended.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. Holdings may change by the time you receive this report. Future portfolio holdings may not be profitable. The information should not be deemed representative of future characteristics for the strategy. There can be no assurance that any targets stated in this document can be achieved. Please be advised that any targets shown are subject to change at any time and are current as of the date of this document only. Targets are objectives and should not be construed as providing any assurance or guarantee as to the results that may be realized in the future from investments in any asset or asset class described herein. If any of the assumptions used do not prove to be true, results may vary substantially. These targets are being shown for informational purposes only.

© Yarra Capital Management, 2023.