

Yarra Global Share Fund

Net returns as at 31 May 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#	-0.75	5.76	4.22	8.37	10.16	11.36	14.00	8.23
MSCI All Countries World Index [^]	1.02	7.79	7.05	11.79	11.00	10.16	12.52	7.18
Excess Return [‡]	-1.78	-2.03	-2.83	-3.42	-0.84	1.19	1.49	1.04

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 -0.75% (after fees) in May, to underperform the Index return of 1.02% by 178 basis points (bps). Over the longer term (5 years), the Fund's return of 11.36% per annum (p.a.) is 119 bps p.a. ahead of the Index return of 10.16% p.a.

Key contributors to relative performance:

- Nearly all the outperformers this month were in the information technology sector as **NVIDIA Corporation's** blow-out numbers and forward guidance stoked a boom in all things artificial intelligence (AI)-related. Within the portfolio, the main beneficiary of this was **Microsoft Corporation** (who are invested in Open AI – which owns ChatGPT). They are also seen as one of the leading beneficiaries of the investment needed in AI infrastructure and have invested heavily in AI development in their Azure platform. **Taiwan Semiconductor Manufacturing Co.** also performed well as their leading-edge chips are critical to NVIDIA's GPU datacentre offering.
- Accenture Plc & Box, Inc.** were also dragged higher by positive sentiment towards the sector. In addition, Box, Inc. produced strong quarterly numbers towards month end, which showed how well management are executing, despite the ongoing macroeconomic challenges that are facing discretionary IT spending.
- Palomar Holdings, Inc.** rose 13% on the last day of the month, following an encouraging trading update, which addressed several key investor concerns. Importantly, the company successfully accessed all the reinsurance that it needed and guided to lower natural catastrophe losses this year (after a difficult hurricane season last year).
- UK food catering business **Compass Group Plc** continued to perform strongly following better than expected financial results. Organic revenue growth came in at almost 25% as

the contract catering business continued its recovery from the disruption caused by COVID-19. Importantly, margins were also better than expected – illustrating the company's ability to cope with high food price inflation.

Key detractors to relative performance:

- Samsonite International S.A.** gave up recent gains despite releasing a strong trading update – characterized by strong sales growth and better than expected margins. The catalysts for the sell-off were cautious commentary from some luxury goods companies about emerging weakness in US travel-related demand, as well as investor concerns about the health of China's economic recovery.
- The oilfield services business **Schlumberger N.V.** has underperformed in sympathy with most commodity stocks during the month, as China's economic recovery post COVID-19 reopening has disappointed and economic data has continued to soften in some developed world markets too.
- Haleon Plc** was weak after GlaxoSmithKline and Pfizer announced their intention to proceed with their previously flagged plans to reduce their stakes in the company. Although this will create better long-term liquidity in the stock – which we would see as positive - these placings will represent something of an overhang in the near term. In the middle of the month, Glaxo successfully placed 2.5% of the company with only a 2% discount to the listed price pre-placing – showing strong demand for the shares.
- Masimo Corporation** also gave up much of its recent gains after quarterly results, which beat expectations but failed to yield earnings upgrades - which had become the norm in MedTech this quarter, as healthcare utilization recovers from the disruption caused by COVID-19. The company reiterated its full year guidance, but this was not enough for investors who had become used to better news. The ongoing litigation with Apple also failed to deliver a positive

outcome this month, with the first US trial ending in a mistrial and a new date yet to be set for the ret.

- **Tractor Supply Company** continued to succumb to profit taking this month, along with many other defensive parts of the market. Quarterly results released at the end of April had shown the continued margin benefit of management's ongoing initiatives but there was also a weather-related slowdown in same store sales growth.

Market review

In May, equity markets continued to steadily climb higher, with the sectors that contributed to gains in the first quarter once again leading the way. Market leadership has continued to narrow, with the technology sector powering ahead as excitement builds around Artificial Intelligence (AI) and its potential applications. Mega cap stocks once again significantly outperformed small and midsize peers during the month as a result.

Economic data in the US has continued to soften in recent weeks but at a moderate pace – increasing hopes that the Federal Reserve will manage to engineer a soft landing in the economy, whereby inflation continues to cool but without causing too much damage to economic growth in the process. At least the imminent threat posed by the US debt ceiling has been resolved or averted for now, after politicians finally reached an agreement towards the end of the month.

The key question remains how much economic pain is already in the pipeline because of the monetary tightening undertaken. Although the pace of further rate hikes looks likely to moderate (or even stop), measures of money supply in the US continue to show a marked contraction (with M2 down 4.6% year on year in April's reading). Bond yields also reflect this uncertainty, with the yield on US 10-year debt hovering in a relatively tight range.

The economic picture looks less encouraging in other parts of the world. China has been causing increasing concern in recent weeks as the country's economy has emerged from the disruption caused by COVID-19 more slowly than many had anticipated. There have been no major stimulus packages announced by the central Government and confidence in the country's crucial property sector remains fragile – as evidenced by the continuing decline in land sales. Consumer confidence has risen off the lows seen during 2022 but remains well below levels seen for much of the previous decade.

Recent data has also confirmed that Europe's largest economy, Germany, is in recession. Leading economic indicators such as the IFO Business Expectations survey don't suggest an imminent end to the situation either.

With global economic growth looking weaker, economic cyclicals underperformed in May (particularly the energy and materials sectors) while information technology and communication services returned to the top of the sector performance charts. The IT sector was already doing relatively well before NVIDIA's Q1 earnings on May 24th. The scale of

the increase in the company's forward guidance and the palpable confidence of the company's management poured a tanker-load of fresh fuel onto this fire. Defensive sectors were also unpopular during the month, with consumer staples and healthcare underperforming.

The power of Big Tech saw the US be one of the month's strongest regions, but the top of the pile was Japan. The country is seeing an end to years of disinflation and real wages are increasing. With evidence beginning to emerge of better corporate governance too, and a relatively low starting valuation, this continues to attract more investors to the country.

Country / regional exposure

	Fund %	Benchmark %
United States	56.97	61.62
Japan	2.33	5.62
China	0.00	3.09
United Kingdom	12.04	3.68
Canada	0.00	2.86
Europe ex UK	8.05	12.62
Asia Pacific ex China & Japan	16.54	8.09
Emerging Europe, Middle East, Africa	0.00	1.50
Latin America	0.00	0.93
Cash	4.06	0.00

Sector exposure

	Fund %	Benchmark %
Communication Services	0.00	7.59
Consumer Discretionary	15.19	10.94
Consumer Staples	7.81	7.22
Energy	3.53	4.65
Financials	16.08	13.81
Health Care	16.38	12.18
Industrials	14.83	9.91
Information Technology	19.20	24.01
Materials	2.90	4.51
Real Estate	0.00	2.33
Utilities	0.00	2.84
Cash	4.06	0.00

Top 10 holdings (underlying Fund)

	Portfolio	Benchmark	Country
Microsoft Corporation	6.99	3.88	United States
Compass Group plc	3.73	0.08	United Kingdom
Housing Development Finance Corporation	3.11	0.09	India
Linde plc	2.90	0.29	United States
Haleon plc	2.82	0.03	United Kingdom
KBR, Inc.	2.82	0.00	United States
Amadeus IT Group	2.72	0.05	Spain
Worley Limited	2.70	0.00	Australia
Booking Holdings Inc.	2.67	0.16	United States
Accenture plc Class A	2.66	0.32	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	8.37	10.16	11.36	12.70
Distribution return	0.00	0.00	0.00	1.29

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\$273.8 mn as at 31 May 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.

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