

Yarra Global Share Fund

Net returns as at 30 September 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#	-4.31	-2.29	3.61	12.21	7.44	9.56	12.96	8.12
MSCI All Countries World Index [^]	-3.80	-0.37	6.43	20.34	10.70	8.92	11.90	7.19
Excess Return [‡]	-0.50	-1.92	-2.83	-8.14	-3.26	0.64	1.05	0.93

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 -4.31% (after fees) in September, to underperform the Index return of -3.80% by 50 basis points (bps). Over the longer term (7 years), the Fund's return of 12.53% per annum (p.a.) is 126 bps p.a. ahead of the Index return of 11.27% p.a.

Key contributors to relative performance:

- **Samsonite International S.A.** continued to perform well, despite the weakness seen in many China and Hong Kong-listed shares last month. The driver was continued positivity, stemming from a robust trading update released in mid-August. As management met investors following the release, they have continued to express confidence in the businesses potential to achieve strong sales and profit growth.
- **Haleon plc** outperformed as the overhang created by planned stake reductions by GlaxoSmithKline and Pfizer cleared and we saw renewed investor appetite for stable growth companies, as economic data continued to deteriorate.
- **Progressive Corporation** responded well to solid monthly financial performance. Premium growth remained strong (at 16%) and costs remained well controlled, meaning that loss ratios came in lower than expected and earnings per share higher.
- **Schlumberger N.V.** and **Worley Limited** benefitted from the renewed strength in the oil price, as investors weighed the likely impact of continuing tight control over production rates by OPEC+, at the same time as stockpiles.

Key detractors to relative performance:

- **Masimo Corporation** was weak in sympathy with much of the MedTech space, as investors continued to weigh

the potential impact of obesity drugs on an increasingly wide range of surgical procedures. It is fair to say, however, that Masimo's stock specific beta / earnings risk also appears somewhat elevated because of their acquisition of Sound United and more volatile recent trading.

- **Netflix, Inc.** experienced some profit taking as a response to comments made by its management during a broker conference. These remarks indicated that the acceleration of revenue growth, driven by their efforts to curtail account sharing, had slightly diminished in September. Management remains confident, however, that this initiative is continuing to drive growth in revenues, without meaningfully increasing customer churn.
- **Bio-Techne Corporation** suffered as the company and other Life Science tools peers presented at several broker conferences this month. Although there were no new negatives (over and above the well-known headwinds posed by post-COVID destocking and tighter biotech funding), there was no concrete evidence yet that things are meaningfully improving. With rising bond yields also pressuring growth stocks this month, these factors combined to see the stock underperform.
- **Amadeus IT Group SA** underperformed as concerns grew that the rate of recovery in their travel booking business may be slowing, in sympathy with broader gauges of economic activity. With the company continuing to invest in their long-term growth drivers, this could lead to some short-term margin pressure.
- **TransUnion** succumbed to profit taking after a period of stronger performance. The catalyst was a renewed push higher in US mortgage rates, as bond yields rose over the month.

Market review

Global equity markets weakened significantly in September (with the MSCI ACWI falling almost 4% in AUD terms) as markets reacted to rising oil prices and a rise in bond yields, with the US 10-year yield reaching 4.5% by month end – surpassing the levels that preceded the swoon in markets towards the end of 2022.

The jury is still out in terms of the cause of this rise in bond yields. Some believe that it is attributable to the upward pressure exerted on inflation by climbing energy costs, which will diminish the attractiveness of bonds. Others believe that the issue is the coming glut of bond supply, as the US Government issues debt, to fund its spiralling fiscal deficit.

Whichever the cause, rising interest costs are beginning to have a more pronounced impact on economic growth – with small firms in the US noting the rising cost of credit and bank lending standards tightening. Although much-watched data points like the spread between treasuries and BBB-rated companies continue to look well contained (and measures of equity market volatility such as the VIX remain becalmed) tensions are building in economically sensitive areas, such as mortgage-backed securities.

With bond yields rising again, value outperformed growth, as discount rates moved higher, weighing more heavily on longer duration cashflow streams.

The energy sector was the best performing sector this month, as the oil price rose towards USD100 per barrel on evidence of maintained supply discipline by OPEC+ and with the US pausing its drawing down of its Strategic Petroleum Reserve. Other cyclical sectors fared less well, however. Information technology, consumer discretionary and industrials all fell more than the market last month.

That is not to say that traditional defensives all outperformed. Whilst parts of healthcare and telecoms did beat the market, the more yield-sensitive sectors (real estate and utilities) underperformed to a similar extent to the cyclicals.

Regionally, the US and Europe underperformed as concerns grew over their economic performance. Japan, on the other hand, resumed the outperformance that the country had enjoyed earlier in the year. Its relatively closed economy and its relative value tilt helped.

Country / regional exposure

	Fund %	Benchmark %
United States	59.77	62.25
Japan	4.43	5.55
China	0.00	3.21
United Kingdom	10.35	3.71
Canada	0.00	2.86
Europe ex UK	6.79	12.04
Asia Pacific ex China & Japan	15.41	7.92
Emerging Europe, Middle East, Africa	0.00	1.53
Latin America	0.00	0.94
Cash	3.26	0.00

Sector exposure

	Fund %	Benchmark %
Communication Services	2.72	7.56
Consumer Discretionary	13.47	11.18
Consumer Staples	7.21	7.10
Energy	4.43	5.22
Financials	14.88	15.75
Health Care	16.99	11.87
Industrials	11.82	10.37
Information Technology	22.59	21.56
Materials	2.62	4.50
Real Estate	0.00	2.27
Utilities	0.00	2.62
Cash	3.26	0.00

Top 10 holdings (underlying Fund)

	Portfolio %	Benchmark %	Country
Microsoft Corp	6.85	3.65	United States
NVIDIA Corp	3.48	1.76	United States
Accenture plc	3.45	0.32	United States
Haleon plc	3.04	0.04	United Kingdom
Samsonite International S.A.	3.02	0.00	Hong Kong
Worley Limited	2.93	0.00	Australia
KBR, Inc.	2.87	0.00	United States
Synopsys, Inc.	2.87	0.11	United States
Schlumberger N.V.	2.79	0.14	United States
Compass Group plc	2.75	0.07	United Kingdom

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	12.21	7.44	9.56	11.79
Distribution return	-	-	-	1.16

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\$278 mn as at 30 September 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

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