

# NIKKO AM GLOBAL SHARE FUND

## Fund Update

### Fund Performance

	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Inception
	(%)	(%)	(%)	(%)	p.a. (%)	p.a. (%)	p.a. (%)	p.a. (%)
Fund growth return	5.14	8.63	18.50	32.59	19.58	18.90		
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.01		
Total Fund return (net) <sup>#</sup>	5.14	8.63	18.50	32.59	19.58	18.90	17.87	8.96
Benchmark*	2.84	8.87	18.57	29.94	14.13	14.57	15.44	7.53
<b>Excess return</b>	<b>2.30</b>	<b>-0.25</b>	<b>-0.06</b>	<b>2.66</b>	<b>5.46</b>	<b>4.33</b>	<b>2.43</b>	<b>1.44</b>

Source: BNP Paribas. 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. Past performance is not an indicator of future performance. Inception date: November 1995.

# In July 2015, the Fund was restructured from a global equities multi-manager strategy to gaining this exposure 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 societe d'investissement, a capital variable).

\* Benchmark: MSCI All Countries World Index (with net dividends reinvested) expressed in Australian Dollars (unhedged). The Fund gains exposure to global equities by investing in the Nikko AM Global Equity Fund (underlying Fund)1. Prior to 18 August 2016 MSCI All Countries World Ex-Australia Index (with net dividends reinvested) expressed in AUD (unhedged). Prior to 15 July 2015 the Benchmark was the MSCI World ex-Australia Index (with net dividends re-invested) expressed in AUD (unhedged). Prior to 1 October 2005, the index was the MSCI World Index (net dividends reinvested) expressed in AUD (unhedged).

### Performance Commentary

The Fund outperformed the benchmark over the month.

Key contributors to relative performance:

- **Kingspan** outperformed on the back of an earnings upgrade for FY21 last month. Management indicated further volume and margin upgrades are likely.
- **Transunion** outperformed following better-than-expected results and this month and an upgrade to full-year guidance. The company's leading position with fintech lenders contributed to outsized non-mortgage growth in the US.
- **Accenture** climbed after very strong results at the end of June and increased FY21 guidance, underpinned by sustainable organic demand.
- **Palomar** and **Aon plc** also contributed to performance.

Key detractors from relative performance:

- **Tencent** was negatively impacted after the company announced that it was suspending new user registration on WeChat in China as it works to comply with relevant laws and regulations. This reflects part of a broader crackdown on tech firms by Chinese regulators.
- **HelloFresh** failed to keep pace with the market this month as the shares consolidated strong gains following impressive Q1 results earlier in the year. What is more, the market is anticipating a potential lowering of the EBITDA margin guidance at Q2 results in a couple of weeks due to investments pulled forward.
- **Royal Philips** has been impacted negatively after the recall of its CPAP machines for sleep apnoea. The noise cancelling foam used in the devices can degrade over time potentially releasing granules of foam into the device (which could then be inhaled by the patient). There is no record of patient harm at this stage, however, the risk is that the US litigation

system allows lots of class actions to be brought forward.

- **Progressive Corp** and **AIA Group** also detracted from performance.

### Country/ Regional Exposure

Country/Region	Fund %	Benchmark %
United States	67.32	59.59
Japan	4.64	5.80
China	1.61	4.14
United Kingdom	6.46	3.71
Canada	0.00	2.88
Europe ex UK	13.04	12.95
Asia Pacific ex China & Japan	4.47	8.12
Emerging Europe, Middle East, Africa	0.00	1.83
Latin America	0.00	0.97
Cash	2.46	0.00
Total	100.00	100.00

### Top 10 Holdings - Underlying Fund

Company	Fund %	Benchmark %	Country
Microsoft Corp	6.16	3.05	United States
Amazon.com	3.75	2.13	United States
Adobe Inc	3.52	0.45	United States
Accenture plc	3.37	0.30	United States
Carlisle Companies	3.00	0.00	United States
Compass Group plc	2.97	0.06	United Kingdom
Abbott Laboratories	2.94	0.32	United States
Sony Group Corp	2.94	0.20	Japan
LHC Group Inc	2.83	0.00	United States
Livanova plc	2.80	0.00	United States

## Market Commentary

Global equity markets continued to rise in July, with most global equity indices reaching all-time highs during the month, helped by the ongoing strength in megacap US technology stocks such as Microsoft and Apple. The MSCI All Countries World Index returned 2.84% (AUD, unhedged) over the month. With bond yields continuing their recent declines in the US, discount rates have also fallen and investors continued to seek the relative safety of visible growth stocks.

Healthcare was also a notable outperformer in July, outperforming defensive sectors where the long-term growth story is less obvious. There was renewed strength in the sub-sectors at the heart of the ongoing boom in Life Science research – particularly those providing the tools and services for this.

Underperformers included the energy sector, where investors were unnerved by a mid-month fall of almost USD10 in the oil price. The rotation out of high beta sectors likely worked against it as well (financials also underperformed). Consumer discretionary failed to keep pace with markets, as sector heavyweights like Alibaba were hit by the Chinese regulatory crackdown.

Emerging Asia was the weakest performing region. Japan also underperformed in July. The US outperformed as did Europe ex-UK, where economies are gradually reopening despite the ongoing challenges posed by the Delta variant of the coronavirus.

## Market Outlook and Strategy

Increased capital spending will be needed if countries around the world are to deliver upon their targets for energy efficiency and (ultimately) energy transition, from carbon intensive fuels like oil and coal to carbon light alternatives like hydrogen. Although challenges remain if these new technologies are to be truly cost competitive with the older ones that they are replacing, there is little evidence at present that capital will not be put to work to address these.

When we are weighing the threats to global economic growth against the opportunities going into 2022 and beyond, we remain reasonably positive, although pockets of inflationary pressure have appeared and could pose a threat to monetary policy stability over time. This is true not least in the US housing market. Thankfully, affordability looks reasonable and will continue to do so unless the Federal Reserve were to lose control over the long end of the yield curve (though this is not our base view). This should support consumer confidence and allow consumer spending to grow going into next year. With capital spending also likely to rise, economic growth should be strong – if not quite as strong as seen this year as economies have gradually

recovered from the disruption caused by COVID-19.

We are currently going through a period when investor confidence is being tested and equity market volatility has increased slightly. We continue to have a balanced portfolio – containing cyclical businesses with high and rising returns on investment, as well as higher growth companies, which are less impacted by macroeconomic conditions. As ever, the shape of the portfolio is driven by where we find our Future Quality stock ideas, rather than our view of the macro picture.

## Sector Exposure

Sector	Fund %	Benchmark %
Communication Services	1.61	9.32
Consumer Discretionary	16.73	12.40
Consumer Staples	6.23	6.84
Energy	0.00	3.17
Financials	14.45	13.99
Health Care	20.68	11.82
Industrials	14.02	9.78
Information Technology	20.44	22.34
Materials	1.37	5.02
Real Estate	2.01	2.64
Utilities	0.00	2.68
Cash	2.46	0.00
Total	100.00	100.00

## Fund 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.

### Key Facts

#### Responsible Entity

Nikko Asset Management  
Australia Limited

#### APIR Code

SUN0031AU

#### ARSN

092 026 269

#### Fund Size

AUD \$188.9 million

#### Minimum Investment

AUD 10,000

#### Buy/Sell Spread

0.20%/0.20%

#### Distribution Frequency

Quarterly

## Contact Us

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## Important Information

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