

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	0.53	8.68	11.57	27.25	17.69	16.34		
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.16		
Total Fund return (net) [#]	0.53	8.68	11.57	27.25	17.69	16.50	16.32	8.69
Benchmark*	1.35	8.85	10.41	21.64	13.00	12.65	13.87	7.28
Excess return	-0.82	-0.17	1.15	5.61	4.69	3.85	2.45	1.42

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 underperformed the benchmark over the month.

Key contributors to relative performance:

- **HelloFresh** continued to outperform following an encouraging business update at the company's AGM. Management upgraded guidance highlighting HelloFresh's strong cash generation and ability to reinvest for top-line growth.
- **HDFC Bank** recovered this month as India's second wave of COVID-19 infections looks to have peaked, suggesting improved economic activity in the country going forwards. The company also announced a management reorganisation that aims to better align business verticals with delivery channels and digital platforms.
- **LKQ Corp** outperformed on the back of impressive quarterly results. Revenues were higher than expected due to strong growth in the recreational vehicle market. A record operating profit margin was driven by strong execution and significant cost actions taken as a result of the pandemic.
- **Compass Group** and **Kingspan** also contributed to performance.

Key detractors from relative performance:

- **Global Payments** succumbed to profit taking following its quarterly results. Despite strong top-line and EPS beats, continued weak commercial issuing trends limited upward revision to the high-end of guidance.
- **LHC Group** underperformed despite continuing to enjoy fairly robust 8-10% organic revenue growth in its home-health business. Although they did see some disruption as a result of COVID-19, their business is seen as a long-term beneficiary from changes made to control the virus spread.
- **Bio-Techne** suffered a similar fate to LHC. This is despite quarterly results, confirming that trading momentum in the

business remains extremely strong. Organic revenue growth of 22% was the highest that the company has reported in its 25-year history.

- **Dolby Labs** and **Accenture** also detracted from performance during the month.

Country/ Regional Exposure

Country/Region	Fund %	Benchmark %
United States	65.41	57.84
Europe ex UK	13.56	13.05
United Kingdom	7.16	3.81
Japan	4.60	5.99
Canada	0.00	2.95
Asia Pacific ex Japan	7.09	13.49
Emerging Europe, Middle East, Africa	0.00	1.87
Latin America	0.00	1.00
Cash	2.18	0.00
Total	100.00	100.00

Top 10 Holdings - Underlying Fund

Company	Fund %	Benchmark %	Country
Microsoft Corp	5.23	2.72	United States
Amazon.com	3.41	2.10	United States
Compass Group plc	3.33	0.06	United Kingdom
Hellofresh	3.22	0.02	Germany
Accenture plc	3.11	0.27	United States
Aon plc	3.08	0.09	United States
Laboratory Corp of America	3.00	0.04	United States
Abbott Laboratories	2.94	0.31	United States
Sony Group	2.91	0.19	Japan
Progressive Corp	2.90	0.09	United States

Market Commentary

Global equity markets continued to rise in May. The MSCI All Countries World Index gained 1.35% (AUD, unhedged).

Despite a pause in underlying commodity price appreciation, the commodity-driven sectors of the equity market resumed leadership, with both the energy and materials sectors posting strong gains. Financials also outperformed. Within the cyclical parts of the market, only consumer discretionary bucked the trend, delivering the weakest performance of any sector in May. The information technology sector was weaker. Although healthcare slightly outperformed (along with consumer staples), it was lower growth sub-sectors like pharmaceuticals and hospitals that led the way, rather than traditional growth bellwethers such as medtech.

In terms of regional returns, Europe outperformed – helped by its relatively high weight in cyclical sectors and by the sense that vaccination programmes in the region are finally catching up with the US and the UK. Whilst some, smaller emerging markets also fared relatively well, emerging Asia underperformed as China’s monetary tightening held the region back. The US also underperformed, not helped by its relatively high exposure to growth sectors.

Market Outlook and Strategy

It is true that valuation remains a very subjective topic and its role in shaping investment performance is even more keenly debated. We certainly saw some increasingly novel metrics introduced towards the end of last year, in an attempt to justify share prices in some parts of the market.

Our valuation discipline remains anchored largely on the one aspect of a company’s financial performance that is the most difficult to produce via accounting creativity - that is cold, hard cashflow generation. More specifically, we want our companies to be able to generate their own investment firepower and be able to sustainably invest this cash with a high likelihood that the investment will deliver a higher return than the company is enjoying at the time of investment. These investments need to be able to stand the test of time and not see their value quickly undermined by either a tougher economic cycle or by competitors making similar investments into identical products. It is this latter point that keeps us underweight in the commodity sectors, though it would be fair to say that we are considering how long the current upcycle will last. Delivering on a future green economy will certainly be difficult without first investing in a lot of copper and even oil.

Where we find that share prices have become temporarily detached from our assessment of these cash flows and the returns that management teams will be able to realise when investing them, we will continue to act. In recent months we have continued to take profits in a number of compelling, long-term growth stocks, where we feel that their continued success is already reflected in today’s share price. That remained true this month in our reductions in holdings such as Bio-Techne, HelloFresh and SVB Financial.

Sector Exposure

Sector	Fund %	Benchmark %
Communication Services	2.17	9.35
Consumer Discretionary	17.41	12.57
Consumer Staples	5.94	6.99
Energy	0.00	3.34
Financials	16.10	14.75
Health Care	21.18	11.40
Industrials	13.72	10.11
Information Technology	17.93	20.91
Materials	1.49	5.19
Real Estate	1.88	2.63
Utilities	0.00	2.76
Cash	2.18	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 \$169.2 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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