NIKKO AM GLOBAL SHARE FUND

Fund Update

Fund Performance

	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years p.a. (%)	5 Years p.a. (%)	10 Years p.a. (%)	Since Inception p.a. (%)
Fund growth return	2.77	7.86	12.27	28.78	17.99	18.34		
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.01		
Total Fund return (net)#	2.77	7.86	12.27	28.78	17.99	18.34	16.90	8.78
Benchmark*	4.46	8.95	15.43	27.72	13.96	14.41	14.61	7.44
Excess return	**-1.69**	**-1.10**	**-3.16**	**1.06**	**4.03**	**3.94**	**2.29**	**1.34**

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:

- **Adobe** posted another set of extremely strong quarterly results, showing faster growth than expected – helped by ongoing macroeconomic recovery and the structural shift to digital media. This generated good earnings upgrades.
- **Microsoft** benefitted from the recovery in growth stocks and positive sentiment towards software companies, amid stronger than expected updates from peers. There was little stock specific news, although the company did announce the next generation of its operating system (Windows 11), which will have new features such as in-built Microsoft Teams.
- **Bio-Techne** benefitted from June's style rotation, and also Danaher's acquisition of Aldevron from Private Equity for almost USD 10 billion, which highlighted the scarcity value of high quality assets in the biopharma industry.
- **HelloFresh** and **Accenture** also contributed to performance.

Key detractors from relative performance:

- **Compass Group** saw some profit taking in June, as cyclical stocks struggled, following some potentially hawkish commentary from the US Federal Reserve, hinting that monetary policy normalisation may start sooner than 2023 (as per consensus expectations).
- **Encompass** failed to keep pace with the market, after one of its peers (Amedisys) made comments suggesting that patient volumes at its Hospice business were recovering more slowly than in other care settings.
- **Aon** underperformed after the US Department of Justice filed an anti-trust lawsuit, attempting to block its merger with Willis Towers Watson. Both companies remain very committed to the transaction, but the transaction could be undermined, if parts of the combined business are forced to be sold in an attempt to gain regulatory clearance.
- **Royal Philips** and **Anthem** also detracted from performance.

Country/ Regional Exposure

Country/Region	Fund %	Benchmark %
United States	67.08	58.71
Europe ex UK	12.89	12.75
United Kingdom	6.68	3.66
Japan	4.46	5.91
Canada	0.00	2.90
Asia Pacific ex Japan	6.78	13.22
Emerging Europe, Middle East, Africa	0.00	1.84
Latin America	0.00	1.02
Cash	2.11	0.00
Total	100.00	100.00

Top 10 Holdings - Underlying Fund

Company	Fund %	Benchmark %	Country
Microsoft Corp	6.06	2.92	United States
Amazon.com	4.02	2.22	United States
Adobe Inc	3.43	0.42	United States
Accenture plc	3.24	0.28	United States
Compass Group plc	3.06	0.06	Britain
Carlisle Companies	2.94	0.00	United States
Abbott Laboratories	2.92	0.31	United States
Hellofresh	2.90	0.02	Germany
Progressive Corp	2.87	0.09	United States
Sony Group Corp	2.86	0.18	Japan

Market Commentary

For the sixth straight month, global markets posted a positive return, with the MSCI All Countries World Index returned 4.46% in AUD terms. Despite high valuations and a flattening of the yield curve, growth stocks outperformed in June. The rotation into growth was at the expense of cyclicals, perhaps suggesting that the easy money from the re-rating in cyclicals is now behind us. US Federal Reserve commentary indicating inflation could be stronger than expected, a bounce in the US dollar and the realisation that the 'Delta' variant is leading to an acceleration in COVID-19 cases across the world, helped accelerate the profit taking in cyclicals.

The information technology (IT) sector was easily the best performing sector in June. On the flip side, financials suffered, as lower yields implied future falling returns across the banking sector. Negative real rates and incredibly low absolute rates allowed investors to ignore - in the short term at least – the importance of valuation support.

The US, with its heavy technology exposure and high levels of vaccination, was the best performing region in June. The UK was the worst, as its relatively heavy exposure to the materials, energy and financial sectors weighed down the FTSE 100 Index.

Market Outlook and Strategy

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 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. We remain believers that companies that solve today's key social and environmental problems, will have the opportunity to deliver strong returns for all stakeholders, including shareholders. Reducing the cost of healthcare provision remains a great example of this and is the core reason behind our long-term overweight in the healthcare sector.

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. 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 – such as Kingspan and HelloFresh this month. We continue to find Future Quality opportunities and add to those whose share prices have been consolidating before, we believe, heading higher. In June this included LHC Group and Carlisle Companies Inc.

Sector Exposure

Sector	Fund %	Benchmark %
Communication Services	2.04	9.40
Consumer Discretionary	17.35	12.75
Consumer Staples	6.20	6.85
Energy	0.00	3.40
Financials	14.75	14.09
Health Care	20.48	11.58
Industrials	13.43	9.86
Information Technology	20.19	21.90
Materials	1.45	4.92
Real Estate	1.99	2.62
Utilities	0.00	2.63
Cash	2.11	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 $176.0 million

Minimum Investment
AUD 10,000

Buy/Sell Spread
0.20%/0.20%

Distribution Frequency
Quarterly

Contact Us

Nikko Asset Management Australia Limited

Level 26, One International Towers Sydney
100 Barangaroo Avenue, Barangaroo NSW 2000, Australia
Phone: 1800 251 589
Fax: +61 2 8072 6304
Email: sales.au@nikkoam.com

Important Information