

Yarra Global Share Fund

Net returns as at 31 August 2024

	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#	-0.31	5.90	6.72	20.26	5.59	12.08	13.85	8.70
MSCI All Countries World Index [^]	-1.31	4.40	6.09	17.83	8.41	11.97	12.56	7.71
Excess Return [‡]	1.00	1.50	0.63	2.43	-2.82	0.11	1.29	1.00

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 -0.31% (after fees) in August, to outperform the Index return of -1.31% by 100 basis points (bps).

Key contributors to relative performance:

- **Progressive Corporation** shares rallied as growth in car insurance policies accelerated, driven by continued market share gains. Additionally, the company's improving loss ratio has led to higher profitability.
- **Hoya Corporation** shares rebounded after the company delivered better-than-expected quarterly numbers and guidance. Its technology business exceeded estimates, and the outlook is optimistic, with the sales recovery in technology expected to continue, destocking complete, and AI-related demand booming. However, its healthcare business has faced greater challenges, with margins pressured by increased promotional spending required to maintain market position following a recent cyberattack, as well as the ongoing anti-corruption efforts in China.
- Consumer healthcare business **Haleon plc** shares continued to trade higher in August, as the outlook for consumer staples became more favorable. More importantly, the company reported strong results at the beginning of the month, which demonstrated quality growth and strong cash generation. Investors were encouraged by the EBIT margin beat, as it likely signals the end of earnings downgrades.
- **Netflix, Inc.** recovered losses made during the prior month after the streaming giant announced that it was able to increase its upfront ad sales commitments by 150% from 2023. This served as further confirmation that the strategy adopted by management last year is working well.
- **Hitachi Ltd.** shares rose on the back of strong first quarter results. Both the Digital Systems and Green Energy

divisions reported results ahead of expectations, the former driven by higher top-line growth and the latter by better net margins. The business environment for both segments should remain favourable, and given the group's relative mix, the volatility of the yen should have limited impact.

Key detractors from relative performance:

- Shares of **Bio-Techne Corporation**, a life sciences company, were sold off after reporting lacklustre quarterly numbers. Recent quarters have been marked by volatility in parts of the business tied to biotech funding and China. Management has struggled to provide clear guidance against this backdrop and as a result continues to weigh on the stock's rating versus peers.
- **Samsonite International** shares continued to trend lower after the company reported disappointing results, which reflected a moderating demand environment. Consumption trade-down hurt luxury TUMI sales, while American Tourister suffered from increased promotional activity in India. Additionally, the company also lowered its 2024 revenue guidance.
- **Amazon** struggled to perform this month in sympathy with mega-cap tech. An extremely high bar has been set for these players, and investors are becoming increasingly nervous about the AI capex and depreciation cycle ahead. Furthermore, Amazon's customers in the retail business are starting to trade down, driving lower-than-expected guidance for the third quarter. Despite this, the manager remains confident in the growth potential for Amazon Web Services (AWS), driven by the ongoing transition from on-premise to the cloud.
- There was no new news out on oilfield services provider, **Schlumberger (SLB)**. The shares continued to underperform on the back of weak commodity prices and prolonged energy equity weakness. The manager views

SLB's recent results as solid, with continued expansion in international markets. Coupled with a likely global soft-landing scenario, they believe this will support the share price as we move toward 2025.

- **Synopsys** continued to underperform in sympathy with the semiconductor sector, which has come under significant pressure after strong performance in the first half of 2024. Despite the company delivering solid quarterly results, Synopsys's peer, Cadence Design Systems, reduced its full-year outlook.

Market review

Global equity markets saw a sudden transformation in early August; within the first few days of the month the true teeth of market volatility were displayed in full force - a reminder, if it was needed, that preparing for more volatile and difficult times has its value.

A lower-than-expected ISM manufacturing print, a weak jobs report, and the Bank of Japan finally changing their interest rate policy spooked the markets, increasing volatility to levels seen only a few times before, including a one-day drop in the Japanese TOPIX Index of 12%, not seen since 1987.

Markets however adjusted quickly after the initial sell-off and are now pricing in over 100 basis points (bps) of US Federal Reserve interest rate cuts, and by the end of the month, global equity markets had clawed back most of their losses with the MSCI All Countries World Index closing the month with a return of -1.31% (AUD, unhedged). However, an intra-month investigation uncovers deeper fragility within markets, guiding for caution in the months ahead.

August results from the artificial intelligence (AI) cohort were strong, but as NVIDIA Corporation's results on the day showed, record-breaking numbers are perhaps no longer good enough to drive share prices higher. Outside AI, the Technology sector lost its shine a few months ago, which partly explains why the Fund is underweight the sector. Elsewhere, growth is under pressure, inflation data is cooling, and a normal economic slowdown is taking shape.

Despite the speedy recovery towards the end of the month, there was a lot happening beneath the surface. Value outperformed growth and World ex-US equity markets outperformed US equities but emerging markets continued their slide downwards. Although fears of recession were raised during the month, financials outperformed, while commodity sectors struggled to divorce share price performance from drifting commodity prices.

Although there were many mixed signals across the market, the most telling shift was the outperformance of all defensive sectors: utilities, consumer staples, healthcare and real estate. In prior months, we had suggested that leadership might change, and in August, leadership was confirmed in the defensives. But for how long?.

Country / regional exposure

	Fund %	Benchmark %
United States	67.88	64.42
Japan	7.18	5.21
China	0.00	2.44
United Kingdom	6.87	3.43
Canada	0.00	2.75
Europe ex UK	5.07	11.57
Asia Pacific ex China & Japan	9.44	8.03
Emerging Europe, Middle East, Africa	0.00	1.42
Latin America	0.00	0.73
Cash	3.55	0.00

Sector exposure

	Fund %	Benchmark %
Communication Services	7.05	7.53
Consumer Discretionary	16.26	10.17
Consumer Staples	7.07	6.41
Energy	1.54	4.22
Financials	13.48	16.24
Health Care	15.33	11.41
Industrials	12.01	10.56
Information Technology	21.21	24.66
Materials	2.51	3.98
Real Estate	0.00	2.20
Utilities	0.00	2.64
Cash	3.55	0.00

Top 10 holdings (underlying Fund)

	Portfolio %	Benchmark %	Country
Microsoft Corp	5.89	3.84	United States
NVIDIA Corp	5.70	3.89	United States
Amazon.com	4.26	2.18	United States
Meta Platforms Inc	3.75	1.49	United States
Netflix, Inc.	3.30	0.40	United States
Haleon plc	2.98	0.04	United Kingdom
Elevance Health, Inc.	2.91	0.17	United States
Coca-Cola Company	2.89	0.39	United States
Intercontinental Exchange	2.77	0.12	United States
Cencora, Inc.	2.76	0.06	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	20.26	5.59	12.08	13.33
Distribution return	0.00	0.00	0.00	0.51

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\$302 mn as at 31 August 2024	
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

Disclaimers

Yarra Funds Management Limited (ABN 63 005 885 567, AFSL 230 251) ('YFM') is the issuer and responsible entity of a range of registered managed investment schemes, which includes those named in this document ('Funds'). YFM is not licensed to provide personal financial product advice to retail clients. The information provided contains general financial product advice only. The advice has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client's objectives, financial situation or needs. Prior to investing in any of the Funds, you should obtain and consider the product disclosure statement ('PDS') and target market determination ('TMD') for the relevant Fund by contacting our Investor Services team on 1800 034 494 or from our website at www.yarracm.com/pdsupdates/. The information set out has been prepared in good faith and while Yarra Funds Management Limited and its related bodies corporate (together, the "Yarra Capital Management Group") reasonably believe the information and opinions to be current, accurate, or reasonably held at the time of publication, to the maximum extent permitted by law, the Yarra Capital Management Group: (a) makes no warranty as to the content's accuracy or reliability; and (b) accepts no liability for any direct or indirect loss or damage arising from any errors, omissions, or information that is not up to date. No part of this material may, without the Yarra Capital Management Group's prior written consent be copied, photocopied, duplicated, adapted, linked to or used to create derivative works in any form by any means.

YFM manages each of the Funds and will receive fees as set out in each PDS. To the extent that any content set out in this document discusses market activity, macroeconomic views, industry or sector trends, such statements should be construed as general advice only. Any references to specific securities are not intended to be a recommendation to buy, sell, or hold such securities. Past performance is not an indication of, and does not guarantee, future performance. Information about the Funds, including the relevant PDSs, should not be construed as an offer to any jurisdiction other than in Australia. With the exception of some Funds that may be offered in New Zealand from time to time (as disclosed in the relevant PDS), we will not accept applications from any person who is not resident in Australia or New Zealand. The Funds are not intended to be sold to any US Persons as defined in Regulation S of the US federal securities laws and have not been registered under the U.S. Securities Act of 1933, as amended.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. Holdings may change by the time you receive this report. Future portfolio holdings may not be profitable. The information should not be deemed representative of future characteristics for the strategy. There can be no assurance that any targets stated in this document can be achieved. Please be advised that any targets shown are subject to change at any time and are current as of the date of this document only. Targets are objectives and should not be construed as providing any assurance or guarantee as to the results that may be realized in the future from investments in any asset or asset class described herein. If any of the assumptions used do not prove to be true, results may vary substantially. These targets are being shown for informational purposes only.

Parts of this document have been prepared by Nikko Asset Management Europe Ltd. Nikko Asset Management Europe Ltd is the investment manager of the strategy. Nikko Asset Management Europe Ltd does not hold an Australian Financial Services Licence.

This material is issued in Australia by Yarra Funds Management Limited.

© Yarra Capital Management, 2024.