Investment Commentary
Month to 31 October 2024

Yarra Global Share Fund

Net returns as at 31 October 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#	3.74	3.82	12.03	34.07	8.22	13.30	14.04	8.80
MSCI All Countries World Index^	3.54	2.25	9.91	28.36	10.42	12.19	12.48	7.79
Excess Return‡	0.20	1.56	2.12	5.71	-2.21	1.11	1.56	1.01

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 societe 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 3.74% (after fees) in October, to outperform the Index return of 3.54% by 20 basis points (bps). This brings the Fund's 1 year return to 34.07% per annum (p.a.), 571 bps ahead of the Index return of 28.36% p.a.

Key contributors to relative performance:

- Booking Holdings Inc., a leader in online travel services, performed well, buoyed by stronger-than-expected financial results released at the end of the month. These results revealed an unexpected reacceleration in revenue growth (to 8%) and strong margins, accompanied by a confident outlook from management.
- Interactive Brokers Group, Inc., a global brokerage firm, outperformed after its quarterly results confirmed continued strong trading activity. Furthermore, there was positive sentiment towards the stock because of rising bond yields, which reflected stronger-than-expected economic data in the U.S. and suggesting a slower easing cycle by the Fed.
- NVIDIA Corporation shares continued to excel as several companies announced significant expansions in their AI infrastructure spending. This trend is expected to sustain strong demand growth for NVIDIA's GPUs.
- Netflix, Inc., a leading streaming service provider, performed strongly following another set of solid earnings results. Crucially, subscriber growth of 10% suggests high engagement levels, enabling management to push forward with efforts to increase advertising revenue and expand operating margins.
- Curtiss-Wright Corporation, an aerospace and defence company, saw continued re-rating due to excitement about growth potential in its nuclear business, following announcements of new energy investments by cloud hyperscalers. The company also published solid numbers at the end of the month.

Key detractors from relative performance:

- Elevance Health, Inc., a health insurance provider, fell sharply after belatedly succumbing to margin pressure noted by Medicaid peers earlier in the year. This Medicaid redetermination process has had a much more profound impact on patient acuity than previous cycles and Elevance had not priced their health plans on that basis. This has led to significant, temporary margin pressure in this book of business.
- Haleon PLC, a consumer healthcare company, saw profit-taking following a strong third quarter. The driver of this was comments from peers regarding weaker volumes because of retailer destocking and uncertainty over the strength of the upcoming cold & flu season. Despite this, Haleon management confidently reiterated their full year guidance towards month end.
- Danaher Corporation's shares fell sharply in the month, despite being viewed as something of a safe haven within the Tools sector. While management reported steady recovery in its Bioprocessing segment, investor concerns were raised by slower-than-expected demand recovery in both China and the lab equipment market.
- After initially responding positively to Chinese monetary stimulus announced at the end of September, shares of Samsonite International S.A., a travel luggage and accessories company, retreated as investors grew impatient for more decisive fiscal interventions from the Chinese government.
- Hexagon AB, a company specializing in digital solutions for industrial and geospatial applications, underperformed, having moved higher in September. The company's results confirmed that trading at the business

remains cyclically depressed. This is particularly true of their autos and construction markets – especially in China.

Market review

Historically, October has been a challenging month for equity markets. Often the October results season has transformed a 'superhero' holding into a terrifying monster or ghoul. This time there was greater uncertainty than normal, as markets swayed on every US election poll result. While not delivering fireworks, global equity markets could not maintain their 5-month run of positive returns, falling more than 2% in US dollar terms over the month. For unhedged Australian investors however, it was a great month, with the MSCI All Countries World Index (ex-Australia) rising 3.63% (AUD, unhedged). This was helped by the Australian dollar's fall from 0.691 to 0.658 over the month, or in inverse terms, the US dollar gaining 5% against the Australian dollar. US equities, which represent 65% of the global benchmark, lead the charge with a gain of more than 5% (AUD), while emerging markets lagged, returning 1.3%. Growth stocks outperformed their value counterparts, while small cap stocks underperformed.

US equities were buoyed by nonfarm payrolls rising by 254,000 (versus the expected 140,000) and the unemployment rate falling to 4.1%. US third-quarter GDP growth came in at a healthy 2.8%, confirming that the economy continues to grow at an above-trend pace. In Europe, there was more evidence of a weakening economic backdrop, with Germany at the epicentre. Japan also underperformed, partly driven by the hawkish tone from the Bank of Japan (BoJ) at its October meeting, and the ruling coalition's loss in the election adding to political instability.

China's recent support measures have renewed focus on the country's equity market. During the month policymakers introduced new initiatives that will allow local governments to use special bonds to purchase land from troubled developers, alongside a planned debt ceiling hike for local governments. Despite this positive news, Emerging and Asian equity markets were among the worst-performing regions, hampered by a stronger dollar.

Country / regional exposure

	Fund %	Benchmark %
United States	70.27	65.21
Japan	5.86	4.93
China	0.00	2.84
United Kingdom	6.54	3.20
Canada	0.00	2.74
Europe ex UK	4.77	10.93
Asia Pacific ex China & Japan	9.72	7.96
Emerging Europe, Middle East, Africa	0.00	1.43
Latin America	0.00	0.77
Cash	2.84	0.00

Sector exposure

	Fund %	Benchmark %
Communication Services	7.27	7.93
Consumer Discretionary	16.43	10.50
Consumer Staples	6.39	6.18
Energy	1.42	4.06
Financials	15.73	16.59
Health Care	13.58	10.56
Industrials	11.34	10.56
Information Technology	22.60	24.83
Materials	2.41	3.91
Real Estate	0.00	2.19
Utilities	0.00	2.69
Cash	2.84	0.00

Top 10 holdings (underlying Fund)

	Portfolio %	Benchmark %	Country
NVIDIA Corp	6.38	4.27	United States
Microsoft Corp	5.78	3.75	United States
Amazon.com	4.48	2.28	United States
Meta Platforms	4.11	1.63	United States
Netflix, Inc.	3.16	0.43	United States
Taiwan Semiconductor Manufacturing Co.	2.79	1.04	Taiwan
Compass Group PLC	2.78	0.07	United Kingdom
Intercontinental Exchange	2.69	0.12	United States
Broadcom Inc.	2.66	0.98	United States
Cencora, Inc.	2.65	0.05	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	34.07	8.22	13.30	13.56
Distribution return	0.00	0.00	0.00	0.48

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$313 mn as at 31 October 2024	
APIR code	SUN0031AU	
Estimated management cost	0.99% p.a.	
Buy/sell spread	+/- 0.15%	
Platform availability	AMP North Asgard BT Panorama Hub24 IOOF Wrap	Macquarie Wrap MLC Navigator Netwealth Praemium

Applications and contacts

Investment into the Yarra Global Share Fund can be made by Australian resident investors only.

Website www.yarracm.com

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