

Nikko AM Australian Share Concnr

19895

Morningstar Analyst Rating



13 Aug 2021
13:13, UTC-0500

Morningstar Category
Equity Australia Large Value

Category Index
S&P/ASX 200 TR AUD

Total Assets
20
Mil AUD

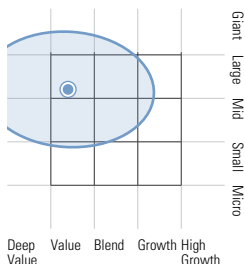
Inception Date
26/05/10

Domicile
AUS

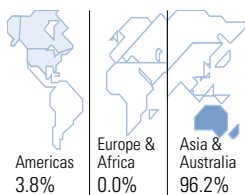
Currency
AUD

Morningstar Rating
★★★

Equity Style Map

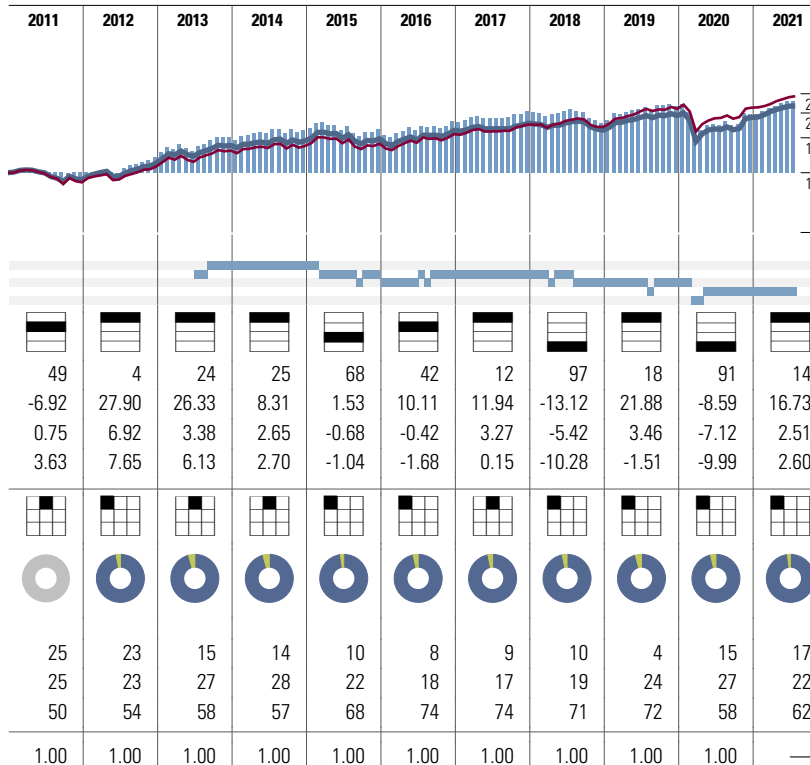


Equity Region Exposure



People

Tim Johnston	05/10
Jason Kim	11/11
Total Named Managers	2



Performance 31/07/21

Growth of 10,000 Annualized AUD	Value AUD	Ret %
Fund	23,034	8.20
Category	21,580	7.54
Index	24,290	8.75

Full Manager Change

Morningstar Rating



Quartile Rank in Category

Percentile Rank in Category

Total Return AUD

+/- Category

+/- Index

Process

Equity Style Box

Asset Allocation (Long Positions)
 ● Equity ● Fixed Interest
 ● Cash ● Other

Equity Supersectors

→ Defensive

↕ Sensitive

↻ Cyclical

Price Expense Ratio (ICR/MER)

A considered choice with a high-conviction value approach.

Analyst View

Chris Tate, CFA, Analyst

Morningstar Analyst Rating



Morningstar Pillars

Process Page 2-3	Above Average
Performance Page 4	Above Average
People Page 5	Above Average
Parent Page 6	Average
Price Page 7	Average

Role in Portfolio: Supporting Player

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum



Aug 13, 2021 | Nikko AM Australian Concentrated may be changing its name, but this solid investment team and considered concentrated approach remains appealing.

In April 2021, Yarra Capital Management took ownership of Nikko AM's Australian equity and fixed-income business, which saw the subsequent rebranding of the Australian equities group to its former Tyndall brand. Deputy head of equities Tim Johnston and portfolio manager Jason Kim continue to co-manage this strategy as part of the Tyndall Australian equities business. Kim began an association in 2001, while Johnston has been in authority since 2007, back when it was originally known under the Tyndall name. The two are backed by an investment team with vast experience, and maintain its trademark stability following the new ownership arrangement. All the investment team has direct equity ownership in the Tyndall entity, which encourages tenure and motivation.

The strategy adheres to Nikko's well-respected value process, while placing a priority on

dividend yield. It's underscored by fundamental bottom-up research to produce a stock ranking of expected return, which the team refer to as comparative value analysis, based on a medium-term assessment of a company. Portfolio construction is primarily stocks with a 4% grossed-up dividend yield, though there's an allowance for 10% of the portfolio to comprise new stocks which fall short of this yield, but only where the team has a strong intrinsic value view. The resulting highly concentrated, benchmark-unaware portfolio comprises 15-25 stocks. This concentrated value approach cuts both ways: The negative impact of individual stock mistakes or an unfavourable investment style potentially exacerbates poor performance. The three-year episode of hefty underperformance to June 2021 where value has been out of favour typifies this, though this is being pared back with one-year returns beating benchmark.

While the fee could be more in line with its sibling strategy, we believe this offering is a solid option for yield-seeking investors.

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Bronze
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Process: Approach

Morningstar Category
Equity Australia Large Value

Category Index
S&P/ASX 200 TR AUD

Index Proxy
SPDR® S&P/ASX 200 ETF

Detailed fundamental research with a yield-seeking focus.

Process Pillar ● Above Average

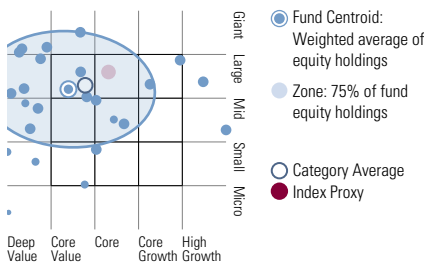
Aug 13, 2021 | The process employed borrows from the Australian Share strategy, with more of a focus on yield. The team’s “comparative value analysis” uses bottom-up research that looks at a firm over the medium term, resulting in an internal rate of return rank over a forecast three-year period. Nikko AM narrows down the S&P/ASX

200 Index to about 130 stocks by screening out those that are too illiquid, expensive, or unhealthy to be worth researching more. Then analysts undertake in-depth fundamental research, paying special attention to industry dynamics. They complete detailed discounted cash flow models, cross-referencing with market-relative price/earnings ratios and broker research to determine a long-term intrinsic value. These are combined with current prices, leading to the internal rate of return rank. The portfolio is built by focusing on those stocks with the best rankings,

but Nikko AM tries to reduce risk by overlaying other considerations. It identifies any short-term earnings risk or structural industry concerns to ensure diversification and avoid value traps. From March 2014, Nikko amended this fund’s PDS to allow it to continue to hold stocks that cease to be listed on the ASX. Generally, a 4% grossed-up dividend yield hurdle is required for new stocks to enter the portfolio. In June 2020, this prerequisite to portfolio inclusion was relaxed for 10% of the portfolio.

Equity Style 31/07/20

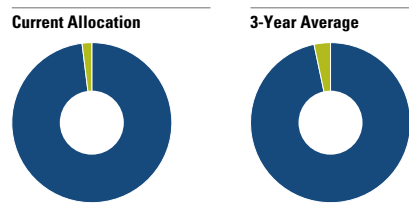
Holdings-Based Style Map



Equity Style Box Factors

	Fund	3-Yr Avg	Category	Proxy
Market Cap				
Giant/Large	57.5	65.0	63.3	78.4
Mid	36.2	27.3	29.9	19.7
Small/Micro	6.3	7.8	6.7	1.9
Avg Market Cap Bil AUD	17.5	15.7	19.6	34.1
Value Measures				
Price/Prospect. Earnings	16.3	15.0	15.7	16.8
Price/Book	1.7	1.5	1.8	2.3
Price/Sales	1.5	1.5	2.0	2.9
Price/Cash Flow	10.3	7.3	8.7	10.3
Dividend Yield	2.2	4.9	2.3	2.3
Growth Measures				
Long-Term Earnings %	17.7	8.2	12.0	11.0
Historical Earnings %	-20.1	-4.5	-17.0	-11.9
Sales %	-3.6	0.7	-3.7	-2.5
Cash Flow %	-8.8	-0.8	-2.0	1.9
Book-Value %	-5.4	0.7	-3.2	-1.1

Asset Allocation (Net Positions) 31/07/21



Assets %	Fund	3-Yr Avg	Category	Proxy
● Australian Equity	98.0	96.7	0.0	0.0
● International Equity	0.0	0.0	0.0	0.0
● Aus. Fixed Interest	0.0	0.0	0.0	0.0
● Int'l Fixed Interest	0.0	0.0	0.0	0.0
● Cash	2.0	3.3	0.0	0.0
● Other	0.0	0.0	0.0	0.0

Region Exposure 30/06/21

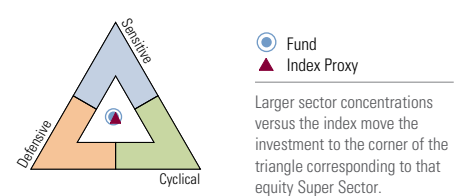
Market Type Equity %	Fund	3-Yr Avg	Category	Proxy
Developed	100.0	99.0	99.2	99.7
Emerging	0.0	1.0	0.8	0.3
Top 5 Countries Equity %				
Australia	89.5	90.7	93.4	95.1
New Zealand	6.7	6.5	2.2	1.6
United States	3.8	1.2	0.9	2.0

Key Ratios 30/06/21

	Fund	3-Yr Avg	Category	Proxy
Net Margin %	8.5	14.0	11.7	16.7
ROA %	4.3	4.1	3.4	4.5
Debt/Total Capital %	44.5	39.1	42.7	43.1
ROE %	8.1	12.7	9.1	11.3

Sectors 30/06/21

Sector Delta




Equity Sectors	Fund	3-Yr Avg	Category	Proxy
Defensive	16.8	10.5	13.5	16.7
Consumer Defensive	9.7	8.5	6.7	5.5
Healthcare	7.1	2.0	5.4	10.0
Utilities	0.0	0.0	1.4	1.2
Sensitive	21.7	23.6	20.6	19.4
Communication Serv.	7.1	6.6	6.6	5.1
Energy	7.3	9.9	5.3	3.2
Industrials	7.3	4.5	7.3	6.9
Technology	0.0	2.7	1.4	4.2
Cyclical	61.5	65.9	65.9	64.0
Basic Materials	14.4	14.1	19.4	19.6
Consumer Cyclical	5.7	10.0	10.5	7.4
Financial Services	33.9	34.9	31.6	30.4
Real Estate	7.4	6.9	4.3	6.6

Economic Moat 30/06/21

	Fund	3-Yr Avg	Category	Proxy
Wide Moat	25.5	25.6	25.9	31.0
Narrow Moat	18.4	23.1	24.9	32.3
No Moat	56.0	51.3	49.2	36.7
Coverage Ratio	96.0	95.9	92.5	93.7

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Process: Portfolio


Morningstar Category
Equity Australia Large Value

Category Index
S&P/ASX 200 TR AUD

Index Proxy
SPDR® S&P/ASX 200
ETF

High-conviction, benchmark-unaware portfolio, with a value tilt and yield-bias.

Process Pillar

 Above Average

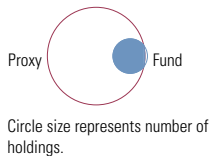
Aug 13, 2021 | This strategy's portfolio has a value tilt, with a bias toward higher-dividend-yielding stocks. It is also highly concentrated, usually holding only 15-25 names. The team tries to mitigate the concentration risk by limiting individual stock weights to 8% and sector weights to 20% (excluding financials). The portfolio was

overweight consumer discretionary and financials at May 2021, while avoiding its typical sectors in healthcare and information technology. As the strategy's name suggests, there's license to take on some large active positions, like top overweight Downer EDI at 4% over index. The recent allowance for low-yielding stocks to enter the portfolio has seen this allocation represent 8.5% of the portfolio in May 2021, with IOOF the dominant name. Typically, the focus is on the large-cap firms, keeping the portfolio away from the more volatile end of the index. However, there is

an increasing trend for around one third of the portfolio to be in mid- to small-cap names, with large-caps like CSL notably absent. In keeping with the long-term approach, portfolio turnover tends to be around 30%-50%. Within an investor's allocation to Australian equities, this fund is a suitable Supporting Player, which should not comprise more than one third of exposure to this asset class, as it likely has a strong and persistent bias to an investment style or sector, or a willingness to take on greater active risk. The team managed AUD \$180 million in this strategy

Similarity to Index Proxy 30/06/21

Index Proxy Overlap



Number of Equity Holdings	
Fund	25
Index Proxy	200
Fund Overlap With Index Proxy	
Holdings Overlap	24
Asset Overlap	28.9%

Top Five Index Holdings

	Fund %	Proxy %
Commonwealth Bank of Australia	—	8.53
BHP Group Ltd	7.07	6.90
CSL Ltd	—	6.26
Westpac Banking Corp	7.39	4.56
National Australia Bank Ltd	6.58	4.16

Top Five Index Sectors

	Fund %	Proxy %
Financial Services	33.94	30.40
Basic Materials	14.44	19.63
Healthcare	7.08	10.01
Consumer Cyclical	5.69	7.35
Industrials	7.31	6.93

Portfolio Holdings 30/06/21

Previous Portfolio Date	Equity Holdings	Bond Holdings	Other Holdings	Assets in Top 10 Holdings	Turnover Ratio (Reported)
31/05/21	25	0	1	54%	51%

Top 10 Holdings	Country	Assets % 30/06/21	Assets % 31/05/21	Index % 30/06/21	Days Trading	Morningstar Rating for Stocks	Economic Moat	Sector	1-Yr Total Ret % (AUD)
⊕ Australia and New Zealand Banking Group L	AUS	7.51	7.19	3.86	<1	★★★	Wide	Financial Services	61.53
⊕ Westpac Banking Corp	AUS	7.39	7.51	4.56	<1	★★★	Wide	Financial Services	48.68
⊕ BHP Group Ltd	AUS	7.07	6.66	6.90	<1	★★	None	Basic Materials	51.17
⊕ National Australia Bank Ltd	AUS	6.58	6.85	4.16	<1	★★★	Wide	Financial Services	51.93
⊕ Coles Group Ltd	AUS	5.14	4.81	1.08	<1	★	None	Consumer Defensive	-0.41
⊕ Origin Energy Ltd	AUS	4.26	3.70	0.37	<1	★★★★	None	Energy	-19.27
⊕ Aristocrat Leisure Ltd	AUS	4.22	3.82	1.33	<1	★★	Narrow	Communication Serv.	60.01
Downer EDI Ltd	AUS	4.11	4.21	0.19	<1	★★★	None	Industrials	30.66
⊕ Suncorp Group Ltd	AUS	3.98	3.97	0.69	<1	★★★	None	Financial Services	39.18
⊕ Lendlease Group	AUS	3.94	3.86	0.38	<1	★★★★	None	Real Estate	8.83

Change since previous portfolio: ⊕ Increase ⊖ Decrease ✨ New

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Performance

Morningstar Category
Equity Australia Large Value

Category Index
S&P/ASX 200 TR AUD

Solid beginnings with a track record of meeting the income brief, but patchy more recently.

Performance Pillar

Aug 13, 2021 | Nikko AM Australian Concentrated has outperformed category peers since its mid-2010 inception. Disappointingly, it has not been able to exceed the category benchmark over the same period, where value has faced a considerable headwind, despite doing so 2011 through 2014. The strategy also has a yield objective to

provide a net dividend yield above the ASX200, which was traditionally met up until the 2020 financial year.

Strong gains were made in 2014, with an underweighting in the materials sector and an overweighting to communication services. However, performance in 2015 and 2016 was a slight blot on the copybook with a couple of stock missteps. In 2017, overweights in Aristocrat and Iluka Resources buoyed relative returns, with the strategy barely outpacing the index. The following year, 2018, proved to be extremely disap-

pointing, falling significantly behind the index and peers, as stock prices in the financials sector declined, and some poor stock mistakes. A rebound of sorts occurred in 2019 by outstripping the value cohort yet falling short of the index moderately. Like 2018, returns in early-2020's volatility was similarly discouraging relative to both the index and value peers, curbed by a favourable growth market and unfortunate cyclical sector positioning.

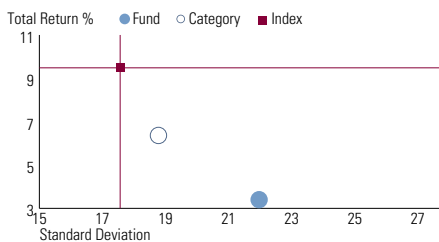
These cyclical sectors (materials and financials) inspired a recovery in returns in late-2020

Morningstar Rating and Risk 31/07/21

Period	Total Ret %	Morningstar Ret vs Cat	Morningstar Risk vs Cat	Morningstar Rating
3 Years	3.31	Low	High	★
5 Years	6.01	Below Avg	High	★
10 Years	9.10	Avg	High	★★★
Overall Morningstar Rating				★★

Risk Analysis 31/07/21

3-Year Return and Risk Analysis



3-Year Risk Measures

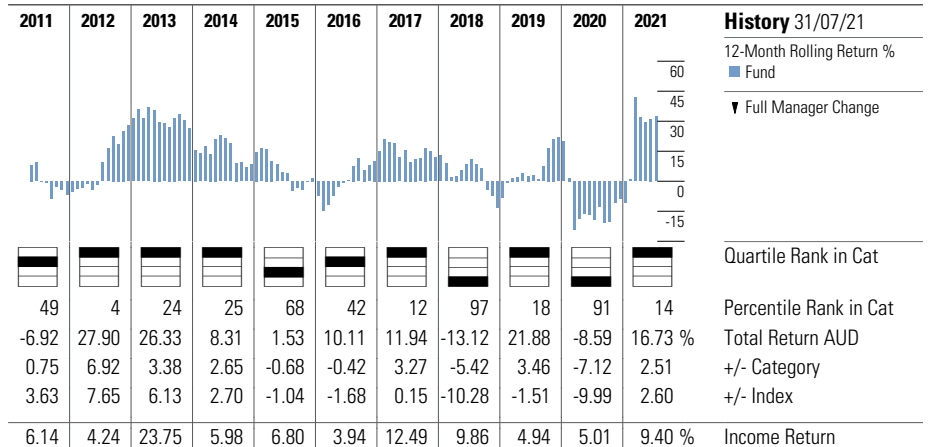
	Fund	Category	Index
Standard Deviation	21.97	18.78	17.56
Sharpe Ratio	0.23	0.38	0.56
R-Squared	94.62	92.60	—
Beta	1.22	1.03	—
Alpha	-7.01	-2.99	—

Max Drawdown 01/08/11 to 31/07/21

	Fund	Category	Index
Max Drawdown (%)	-33.16	-28.14	-26.75
Peak Date	12/19	02/20	02/20
Valley Date	03/20	03/20	03/20
Max Drawdown (Months)	4	2	2

Upside/Downside 01/06/10 to 31/07/21

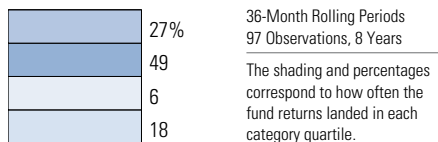
	Fund	Category	Index
Upside Capture Ratio	99.91	91.31	100.00
Downside Capture Ratio	105.86	95.20	100.00



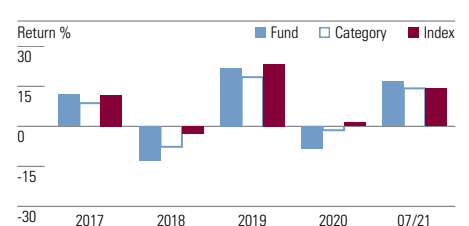
Returns 31/07/21

	Total Ret %	Investor Ret %	% Rank in Cat	Cat Ret %	Index Ret %
1 Year	32.44	—	48	31.93	28.56
3 Years	3.31	—	92	6.36	9.48
5 Years	6.01	—	74	7.23	10.05
10 Years	9.10	—	46	9.00	9.83
Tenure 05/10	8.51	—	—	7.05	9.54
Inception 05/10	8.51	—	—	7.05	9.54

Rolling Return Summary




Calendar Year Returns



Year	Fund %	Category %	Index %
2017	11.94	8.68	11.80
2018	-13.12	-7.70	-2.84
2019	21.88	18.43	23.40
2020	-8.59	-1.47	1.40
07/21	16.73	14.22	14.14

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People

Morningstar Category
Equity Australia Large Value

Category Index
S&P/ASX 200 TR AUD

Strong team with plenty of experience and co-tenure.

People Pillar Above Average

Aug 13, 2021 | Jason Kim and Tim Johnston share responsibility for managing the Nikko Concentrated strategy. Kim and Johnston have been with the firm for 18 and 20 years, respectively. Kim previously worked at Deutsche Funds Management as a portfolio manager, where he gained experience in a variety of disciplines including stra-

tegic asset allocation, fund research, and risk. Johnston started his career as a chartered accountant before joining Nikko/Tyndall.

The portfolio managers are supported by a very experienced team that has been pleasingly stable, with only a few departures--mainly due to retirements. One notable departure in 2014 was that of head of equities Bob Van Munster. The firm did a fine job managing this transition at the top of the team, choosing a high-calibre replacement for Van Munster--Brad Potter. In addition, the long-serving Warwick Cumming retired in

September 2016; Johnston has taken over the deputy head of equities role. Nikko's structure promotes a collegiate atmosphere as all members have analyst responsibilities for particular sectors. Johnston has healthcare, and integrated utilities, while Kim provides research on the insurance sector. Remuneration is based on a combination of the total performance of the portfolio, the team, and the individual. The entire investment team have equity in the business, a measure we believe promotes stability.

Management Team

Number of Managers	Longest Tenure
2	11.25 Years

Advisor

Yarra Funds Management Limited

Subadvisor (0 of 0)

Tim Johnston 05/10 to Present

Years of Experience	Current Funds Managed	Fund AUM
23	1	20 Mil AUD

Largest Funds Managed	Tenure Dates	Role	Net Assets Mil AUD	Portfolio Turnover %	Tenure Ret %	Index Ret %
Nikko AM Australian Share Concnr	05/10-to Present	1 of 2	20	36	8.51	9.54


Jason Kim 11/11 to Present

Years of Experience	Current Funds Managed	Fund AUM
29	3	789 Mil AUD

Largest Funds Managed	Tenure Dates	Role	Net Assets Mil AUD	Portfolio Turnover %	Tenure Ret %	Index Ret %
Nikko AM Australian Share Value	05/14-to Present	1 of 2	748	45	6.72	8.51
OneAnswer SAC Australian Share	08/18-to Present	1 of 2	20	—	0.61	9.69
Nikko AM Australian Share Concnr	11/11-to Present	1 of 2	20	36	9.97	10.78

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Parent

Morningstar Category
Equity Australia Large Value

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Yarra expands and evolves, with business and ownership changes.

Parent Pillar

 Average

Jul 26, 2021 | Yarra Capital Management (Yarra) is the result of a management buyout of Goldman Sachs Asset Management's Australian business, in late 2016, backed by TA Associates (US-based private equity firm). In early April 2021, Yarra acquired Nikko AM's Australian equities and fixed interest business. The Nikko AM Australian equit-

ies business (to be renamed Tyndall Asset Management) will remain a 50:50 joint venture, under the ownership of Yarra and the Tyndall Asset Management investment team. The Tyndall equities business will also remain a separate franchise to Yarra's Australian equities business, with no crossover in investment management activity. Nikko AM's Australian fixed-income business has been integrated into Yarra's expanded fixed-income team and its product suite will be rebranded under the Yarra banner. This transaction has resulted in ownership changes, with Yarra staff now






holding a 40% stake, TA Associates 40% and Nikko AM 20%. Yarra will undertake distribution of Nikko AM's global investment products within Australia, through a mutually beneficial partnership arrangement. TA Associates is likely to exit from this venture at some stage, as its investment time horizon has typically been five to 10 years. The large-scale expansion of Yarra and potentially differing agendas of the three shareholders is a point of caution.

Fund Family Details

Largest Funds	Category Name	Net Assets Mil AUD	Morningstar Rating Overall	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
Nikko AM Australian Share W	Equity Australia Large Value	748.0	★★	2.57	95	7.25	48	Low
UBS Australian Share Fund	Equity Australia Large Blend	310.1	★	6.64	75	6.63	88	Low
Nikko AM Australian Bond	Bonds - Australia	243.1	★★★★	4.98	15	3.60	14	Low
Nikko AM Australian Share Income	Equity Australia Large Value	160.8	★★★	4.77	73	7.35	47	Low
UBS Australian Small Companies Fund	Equity Australia Mid/Small Blend	130.3	★★★	15.29	31	12.35	35	High

Best Performing Funds	Category Name	Net Assets Mil AUD	Morningstar Rating Overall	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
Nikko AM Australian Bond	Bonds - Australia	243.1	★★★★	4.98	15	3.60	14	Low
UBS Microcap Fund	Equity Australia Mid/Small Blend	53.8	★★★★	18.48	20	15.83	15	High
UBS Australian Small Companies SIV Fund	Equity Australia Mid/Small Blend	100.6	★★	16.01	30	9.57	80	Low
UBS Australian Small Companies Fund	Equity Australia Mid/Small Blend	130.3	★★★	15.29	31	12.35	35	High
Yarra Enhanced Income Fund (Direct)	Multi-Strategy Income	7.7	★★★★	3.50	34	4.56	12	Above Avg

Worst Performing Funds	Category Name	Net Assets Mil AUD	Morningstar Rating Overall	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
OneAnswer SAC Australian Share	Equity Region Australia	21.5	★	1.83	100	3.67	100	—
OnePath OA IP-Nikko AM Aust Shares NE	Equity Australia Large Value	0.0	★	0.58	100	—	—	High
BT Super Nikko AM Val AUS Shrs Spr&TTR 2	—	44.8	★	2.78	100	—	—	—
ANZ OA IP-Nikko AM Aust SharesNE	Equity Australia Large Value	0.0	★	0.59	100	—	—	High
Yarra Ex-20 Australian Equities Fund	Equity Australia Mid/Small Blend	13.5	★	3.86	99	5.33	—	Low

Top Analyst Rated Funds	Category Name	Net Assets Mil AUD	Morningstar Analyst Rating	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
Nikko AM Australian Share W	Equity Australia Large Value	748.0	 Silver	2.57	95	7.25	48	Low
UBS Australian Small Companies Fund	Equity Australia Mid/Small Blend	130.3	 Silver	15.29	31	12.35	35	High
OneAnswer SAC Australian Share	Equity Region Australia	21.5	 Silver	1.83	100	3.67	100	—
Nikko AM Australian Bond	Bonds - Australia	243.1	 Bronze	4.98	15	3.60	14	Low
Nikko AM Australian Share Income	Equity Australia Large Value	160.8	 Bronze	4.77	73	7.35	47	Low

Most Recent Fund Launches	Category Name	Net Assets Mil AUD	Inception Date	Total Return % Since Inception	ICR	Fee Level
Yarra Enhanced Income A	Multi-Strategy Income	6.9	2020-08-21	6.41	0.00	Low
Yarra Absolute Credit	Diversified Credit	23.8	2018-10-25	3.33	0.65	Below Avg
BT Super Nikko AM Val AUS Shrs Spr&TTR 2	—	44.8	2018-07-23	3.06	1.10	—
BT Super Nikko AM Value AUS Shrs 2	—	2.0	2018-07-23	—	1.10	—
OA Frontier TTR-Nikko AM Australian Shrs	—	0.3	2018-05-26	4.50	1.04	—

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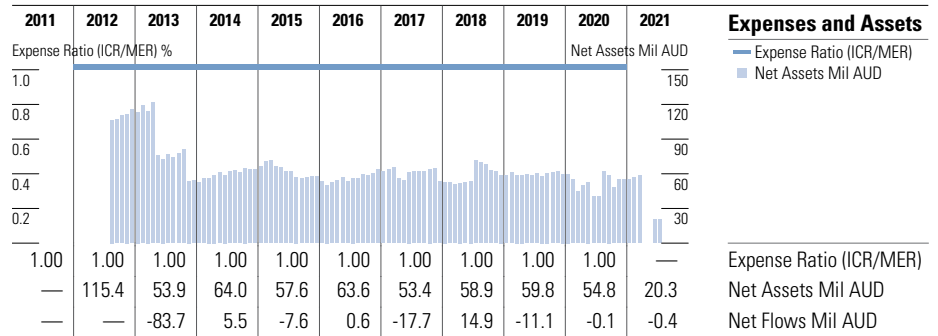
Price

Morningstar Category
Equity Australia Large Value

Category Index
S&P/ASX 200 TR AUD

Price Pillar

Aug 13, 2021 | It's critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category's middle quintile. That's not great, but based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we think this share class will still be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Bronze.



Expense Breakdown

Indirect Cost Ratio (ICR)	
Annual Report 30/06/20	1.00

Performance Fee	
Actual Performance Fee	N. Ap
Hurdle	N. Ap
High Watermark	N. Ap

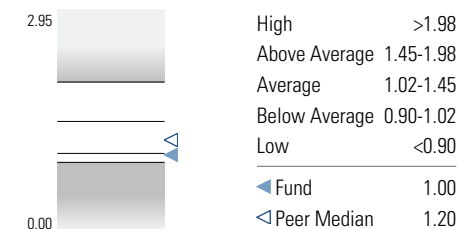
Selected Components

Management	1.00
Tax Cost Ratio (3-Year)	—

Fee Level

Fee Level
Below Avg

Fee Level Breakpoints



Peer Group
Australian Equities - Large-caps Min Initial Below 50,000

Share Class Information Largest 1 of 1

Share Class	APIR	Category Name	Fee Level	ICR	Fees (Max) — Mgmt Admin	Minimum Initial Inv	Assets Mil AUD	1-Yr Flow Mil AUD
Nikko AM Australian Share Concnr	TYN0040AU	Equity Australia Large Value	Below Avg	1.00	1.00 —	10,000	20.32	—

Research Report Disclosure Document (Australia and New Zealand)

Currency

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- the filters and research methodology applied, and
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