

Nikko AM Asia Ex Japan Equity Fund

March 2024 Supplementary Information

Top 10 Holdings

| Country | Portfolio Weight |
|---|------------------|
| Taiwan Semiconductor Manufacturing Co Ltd | 9.77% |
| Samsung Electronics Co Ltd | 9.60% |
| Reliance Industries Ltd | 4.34% |
| Tencent Holdings Ltd | 4.02% |
| Samsung Biologics Co Ltd | 3.32% |
| Sun Pharmaceutical Industries Ltd | 2.51% |
| Mediatek Inc | 2.18% |
| AIA Group Ltd | 2.16% |
| Indusind Bank Ltd | 2.10% |
| Kotak Mahindra Bank Ltd | 1.93% |

Top 10 Currencies

| Country | Portfolio Weight |
|--------------------------------|------------------|
| Hong Kong Dollar (HKD) | 21.84% |
| New Taiwan Dollar (TWD) | 19.77% |
| Indian Rupee (INR) | 18.36% |
| South Korean Won (KRW) | 15.38% |
| United States Dollar (USD) | 9.47% |
| Chinese Renminbi Onshore (CNY) | 8.54% |
| Indonesian Rupiah (IDR) | 4.04% |
| Philippine Peso (PHP) | 1.54% |
| Singapore Dollar (SGD) | 1.06% |
| European Monetary Unit (EUR) | 0.00% |

Market Review

Asian markets ended the month higher in line with global markets, as the MSCI Asia Ex Japan Index advanced 2.5% in US dollar (USD) terms. The US Federal Reserve maintained their policy outlook for three rate cuts in 2024, signalling that inflation remains close to targets. A resilient economy and ongoing enthusiasm about artificial intelligence (AI) developments also aided market strength.

In North Asia, the AI boom continued to fuel the tech-heavy markets of Taiwan (+7.9%) and South Korea (+5.2%). Taiwan reported a fourth straight month of export growth in February, with outbound sales rising by 1.3% year-on-year (YoY) to USD 31.4 billion. The central bank though, unexpectedly raised the benchmark rate by 12.5 basis points (bps) to 2.00%, aimed at containing inflation expectations. Authorities in South Korea will look to add measures including possible tax reforms in relation to its Corporate Value-Up Program unveiled in February. Exports jumped 4.8% YoY in February to USD 52.41 billion.

China (+0.9%) held its annual National People's Congress and set an economic growth target of about 5% this year, promising steps to transform the country's development model, defuse property sector risks and curb industrial overcapacity. Meanwhile, the Chinese economy struck a solid opening to 2024. Industrial output grew 7.0% in the first two months of the year. Retail sales, a gauge of consumption, rose 5.5%. Exports beat expectations and came in at 7.1% in the January–February period. CPI also turned positive for the first time in six months, largely supported by spending linked to the Lunar New Year holiday. Hong Kong weakened 6.5% amid caution about corporate earnings.

ASEAN markets were mixed in March. Core inflation in Singapore (+3.8%) quickened to 3.6% in February, although this was expected on seasonally stronger demand around the Lunar New year. The central bank of Malaysia (+1.0%) maintained its economy forecast of 4–5%, underpinned by continued expansion in domestic demand and improvement in external demand. In Indonesia (+0.6%), Prabowo Subianto has been officially declared the winner of the country's presidential election, paving way for him to take the helm later this year. Inflation in the Philippines (-0.4%) quickened to 3.4% YoY in February, the first uptrend in five months, following a continued surge in rice prices. Thailand (-1.0%) postponed its plans to implement a USD 14 billion cash stimulus plan to the final quarter of the year.

Indian stocks edged up 0.8%. Headline inflation remained stable at 5.09% YoY in February. Real GDP growth came in at 8.4% YoY in the October to December quarter, much higher than most estimates due to a sharp fall in key subsidies which provided a boost to GDP. Efforts by authorities to tighten activity in smaller capitalisation stocks and unsecured consumer finance limited gains overall for the month.

Investment Review and Outlook

The Fund returned 0.9% in March in USD terms, behind the benchmark's return of 2.5%. Stock selection in Taiwan and Hong Kong detracted, while some offset was provided by Korea.

Chinese pharmaceutical manufacturer China Medical Systems was the largest detractor following a weaker-than-expected set of results. The stock had been expected to see a pick-up in growth this year but that now looks to be more geared towards the second half of the year. Elsewhere, shares in Asia-focused insurer AIA were weak despite good results, and the company did not commit to further buyback programs. In Taiwan, shares in chipmaker TSMC continue to be well bid on optimism around future AI-related earnings. This is now reaching the 10% benchmark weight cap for the Fund. Other technology holdings had minor setbacks due to either bottlenecks in new AI product supply, or drags from legacy consumer or PC-related businesses. These are likely short term in nature, and we have not made any changes as a result.

On the flip side, a couple of our larger holdings in Korea started to bounce back. Samsung Electronics and Samsung Biologics, having both seen pullbacks in recent months despite solid fundamentals,

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started to see more interest. For Samsung Electronics, the prospect of high bandwidth memory launches in the second quarter and still strong underlying dynamics in traditional memory are starting to get recognised more. For Samsung Biologics, consistent order wins and further uncertainty on Chinese contract manufacturers is leading to optimism on future business prospects. These remain the highest conviction positions in the portfolio.

During the course of the month, we made a few stock specific changes. In India, we elected to cut our position in Five-Star Business Finance given a combination of continued regulatory intervention by the Reserve Bank of India (RBI) on areas of unsecured consumer finance and Non-Banking Financial Company (NBFC) financing. In addition, there has been more scrutiny on smaller capitalisation stocks by local regulators in India. Hence, we elected to exit the position as it no longer made our top 50 conviction stocks.

Elsewhere we exited our position in Chailease, as a longer-than-expected turnaround coupled with further domestic tightening in Taiwan (versus prospects of cuts in most other countries) would likely weigh on earnings. In China, we switched from JD Health into Midea. The former has continued to deliver on earnings growth but continues to de-rate. We have elected to switch into a stock with clearer and nearer-term fundamental change, in both domestic white goods replacement cycle and further expansion and market share gains overseas.

US economic conditions remain robust with Asian and Emerging Market equity participants looking on, in the hopes of monetary easing as inflation concerns abate. This would provide welcome relief to a lot of Asian markets whose policymakers have been on hold, awaiting confirmation of a turn. Not least China which, although easing, is constrained on monetary policy by interest rate differentials and pressure on the currency. A weaker US dollar and looser liquidity environment could be a boon for Asia. In addition, North Asian markets continue to gain from their exposure to both AI-related earnings materialising and US demand. Meanwhile, India and ASEAN, through a combination of reforms, demographics and labour availability, are becoming clearer choices for new foreign investment.

market sentiment to help improve confidence on a sustainable basis, and we remain watchful for firm evidence here.

In India, both the central bank (RBI) and securities regulator (SEBI) have implemented modest tightening measures in areas deemed to be creating unacceptable risks, namely smaller capitalisation stocks and unsecured consumer finance. At this stage, these measures alone are unlikely to derail the attractiveness of broader Indian equities—especially if we see Narendra Modi elected to a third term, monetary policy easing and more positive structural reforms. While pockets of smaller capitalisation stocks were starting to look overly expensive relative to fundamentals, we do not believe that is the case across the broader index and when compared to the positive fundamental change and sustainable returns on offer at individual companies. We remain overweight India and have several new ideas under evaluation.

ASEAN and Indonesia also enjoy similar dynamics but to a smaller extent. Economic activity remains relatively robust across most countries, and central banks have room to commence easing cycles. Foreign investment continues to pick up, and domestic credit cycles are buoyed by local consumer demand. Despite several positives, we find ASEAN equities often overlooked by a lot of investors and that their valuations are compelling. We have increased our overall positioning in the region, largely through real estate and consumption.

The tech-centric markets of Taiwan and South Korea continue to ride the wave of structural AI demand while the tech cycle broadens out on the back of potential for smartphone and PC replacement cycles. This is providing strong domestic demand conditions, particularly in Taiwan where the central bank has had to tighten rates. We remain invested in exporters over domestic counters here. South Korea has another potential fundamental change as the government attempts to follow Japan's example of improving corporate governance in order to drive a re-rating of local equities through its "Value-Up" program. General elections on 10 April will be the first hurdle, and we will then monitor evidence of real tax reforms if this is to be significant, but all the right noises are currently being made.

The main question for Asia as a whole remains the Chinese economy

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and equity market. Property, which has been at the centre of both its economic transition and household confidence remains weak. Offsetting that are further support measures on the fiscal and capital market side and a rebasing of market expectations, reflected in all-time low valuations relative to Asian equities. Performance of Chinese equities has started to recover from the panic selling witnessed into last year's end and January, with fundamentals finally starting to be rewarded in some places. It will take a bottoming out of property

Risk Information

Risk and Reward Profile

| Lower risk | | | | Higher risk | | |
|--------------------------|---|---|---------------------------|-------------|---|---|
| Potentially lower reward | | | Potentially higher reward | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

The Sub-Fund promotes certain environmental and social characteristics within the meaning of article 8 of the SFD Regulation but does not have a sustainable investment objective.

Currency risk - this exists when the Sub-Fund invests in assets denominated in a different currency. A devaluation of the asset's currency relative to the currency of the Sub-Fund will lead to a reduction in the value of the Sub-Fund.

Counterparty risk - the possibility that the counterparty, such as brokers, clearing houses and other agents be unable to perform its obligations due to insolvency, bankruptcy or other causes.

Liquidity risk - investments that could have a lower level of liquidity due to (extreme) market conditions or issuer-specific factors and or large redemptions of shareholders. Liquidity risk is the risk that a position in the portfolio cannot be sold, liquidated or closed at limited cost in an adequately short time frame as required to meet liabilities of the Sub-Fund.

Operational risk - due to issues such as natural disasters, technical problems and fraud.

Emerging markets risk - the risk arising from political and institutional factors which make investments in emerging markets less liquid and subject to potential difficulties in dealing, settlement, accounting and custody.

Investing in China risk - the Sub-Fund intends to gain exposure to the financial securities of the People's Republic of China ("China") without directly investing in the PRC (excluding Hong Kong). Investments in China will be sensitive to any political, social, economic, legal and regulatory developments which may take place in or in relation to China, which may adversely impact on the securities markets in China as well as the performance of the Sub-Fund.

Derivative risk - the Sub-Fund may use derivatives as described in the Objectives and Investment Policy. Use of derivatives results in higher chances of loss due to the use of leverage, or borrowing. Derivatives allow investors to earn large returns from small movements in the underlying asset's price. However, investors could lose large amounts if the price of the underlying assets moves against them significantly.

Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Risk - the Sub-Fund may be investing in China "A" shares via the Shanghai-Hong Kong Stock Connect and Shenzhen- Hong Kong Stock Connect which may entail additional clearing and settlement, regulatory, operational and counterparty risks.

Sustainability Risk - The risk arising from any environmental, social or governance events or conditions that, were they to occur, could cause material negative impact on the value of the investment. Specific sustainability risk can vary for each product and asset class, and include but are not limited to: Transition Risk, Physical Risk, Social Risk and Governance Risk.

Credit risk - is the possibility that a bond issuer will fail to pay interest and principal in a timely manner.

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Any investment in the Fund may only be made on the basis of the current Prospectus and the Key Investor Information Document (KIID), as well as the latest annual or interim reports. Please refer to the "Risk Factors" for all risks applicable in investing in this Fund. These documents are available from our website emea.nikkoam.com or can be obtained free of charge from the Funds registered office in Luxembourg: Private Business Center 32 – 36, boulevard d'Avranches, L-1160 Luxembourg, Luxembourg. Swiss representative, Swiss paying agent and place of jurisdiction in Switzerland: BNP Paribas, Paris, Zurich Branch, Selnaustrasse 16, 8002 Zurich. Telephone: +41 582 126374

Past performance is not a guide to future performance. Market and currency movements may cause the capital value of shares and income from them to fall as well as rise and you may get back less than you invested.

Contact Us

Nikko Asset Management Europe Limited

Level 5, City Tower, 40 Basinghall Street, London, EC2V 5DE
United Kingdom
Phone: +44 (0)20 7796 9866
Email: EMEAenquiries@nikkoam.com

Nikko Asset Management Luxembourg S.A. (German Branch)

Frankfurt Spaces Tower One , Brüsseler Str. 1-3, 60327, Frankfurt am
Main, Deutschland
Phone: +49 (0) 69 505047 301
Email: EMEAenquiries@nikkoam.com

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