# Warakirri Ethical Global Equities Fund
# Quarterly Fund Profile
## 30 September 2021

## INVESTMENT OVERVIEW

The Warakirri Ethical Global Equities Fund ("WEGE" or the "Fund") provides charitable and institutional investors access to a professionally managed global equities portfolio, offering diversification by geography, industry sector, and market capitalisation, while incorporating the Warakirri Ethical Overlay. Warakirri has appointed the high calibre global equities team at Northcape Capital as the underlying manager of WEGE, taking over investment managment responsibilities as at 30 April 2020. The Warakirri Ethical Overlay is outlined below:

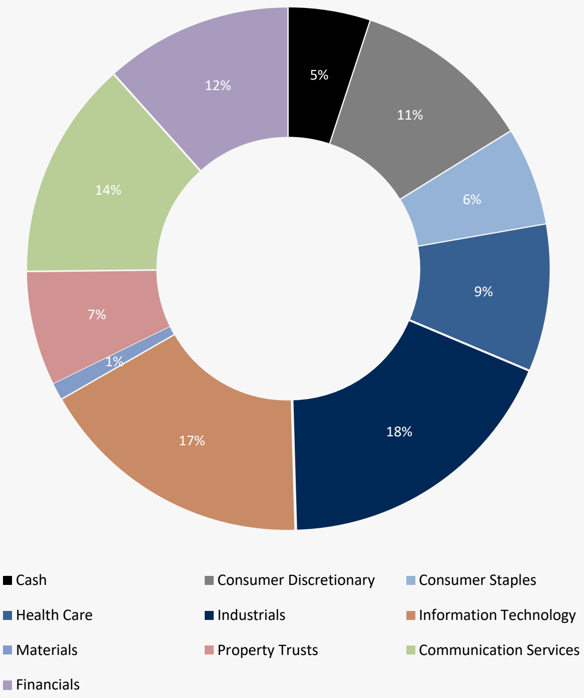
- Positive Overlay: Investment in companies that operate sustainable businesses that exhibit sound practices across: Environmental, Social and Governance.
- Negative Overlay: Warakirri excludes investment in companies that have significant businesses in the following industries: Gaming Products/Services, Tobacco Products, Alcoholic Beverages, Military Applications, Obesity & Thermal Coal and Coal Seam Gas Extraction.

## PERFORMANCE SUMMARY – NET OF FEES

| Performance Period | 1 month | 3 months | 1 Year | 3 Years (p.a) | Since Inception (p.a)* |
|---|---|---|---|---|---|
| Net of Fees | | | | | |
| Fund | -3.9% | +5.8% | +19.8% | +12.0% | +14.5% |
| Benchmark^ | -3.0% | +3.9% | +27.8% | +12.9% | +15.3% |
| Relative Return | -0.9% | +1.9% | -8.0% | -0.9% | -0.8% |

Northcape Capital became the underlying investment manager of WEGE towards the end of April 2020.
^ MSCI World Total Return Index with Net Dividends in AUD
* Fund inception date was 1 November 2016.

## INDUSTRY EXPOSURE




## FUND SNAPSHOT

| Key Information | |
|---|---|
| Investment Type | Long only, Global Equities |
| Investment Style | Active |
| Benchmark | MSCI World Total Return Index with Net Dividends in AUD |
| Investment Objective | Outperform benchmark net of fees over the long-term |
| Fund Size | $43,430,031 |
| Currency | Unhedged |
| Distributions | Semi-Annually |
| Stocks Held | 30 |



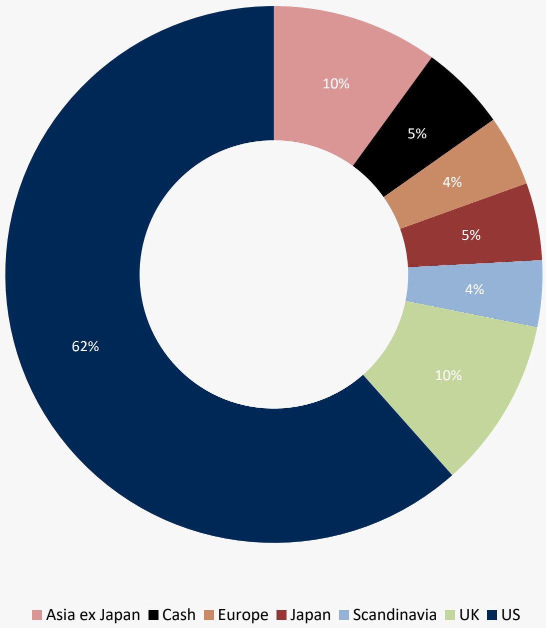
Signatory of:
PRI Principles for Responsible Investment

# Warakirri Ethical Global Equities Fund
# Quarterly Fund Profile
## 30 September 2021

## TOP 10 HOLDINGS

| Security | Fund | Country | Sector |
|---|---|---|---|
| Dollar General Corp | 7.6% | United States | Consumer Discretionary |
| Electronic Arts | 6.6% | United States | Communication Services |
| Techtronic Industries Co | 6.0% | Hong Kong | Industrials |
| Becton Dickinson | 5.1% | United States | Health Care |
| Marsh & Mclennan Cos | 5.0% | United States | Financials |
| Cbre Group | 4.6% | United States | Property Trusts |
| Nvidia | 4.5% | United States | Information Technology |
| New Informa | 4.3% | United Kingdom | Communication Services |
| United Rentals | 4.1% | United States | Industrials |
| Visa A | 3.7% | United States | Information Technology |
| Total | 51.5% | | |

## GEOGRAPHIC EXPOSURE




## PORTFOLIO ATTRIBUTION

### Top five contributors to relative performance

| Security Name | Sector | Return | Average Weight | Contribution |
|---|---|---|---|---|
| Techtronic Industries Co., Ltd. | *Industrials* | +19.2% | 6.2% | +0.9% |
| CBRE Group Inc | *Real Estate* | +18.0% | 4.4% | +0.6% |
| Marsh & Mclennan | *Financials* | +12.2% | 5.1% | +0.4% |
| United Rentals | *Industrials* | +14.3% | 2.6% | +0.3% |
| ASML Holdings | *Information Technology* | +13.2% | 4.0% | +0.3% |

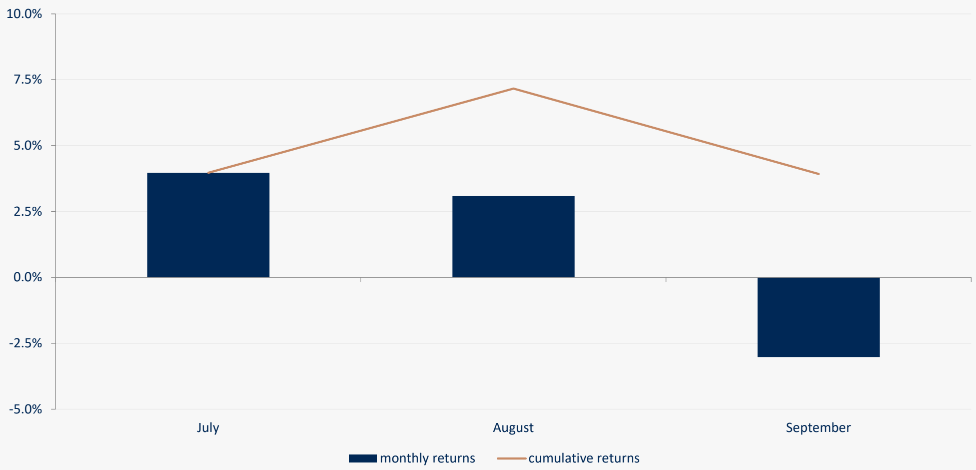
### Top five detractors to relative performance

| Security Name | Sector | Return | Average Weight | Contribution |
|---|---|---|---|---|
| Intertek Group PLC | *Industrials* | -8.1% | 3.4% | -0.4% |
| PayPal Holdings, Inc. | *Information Technology* | -7.2% | 3.8% | -0.4% |
| Cerner Corporation | *Health Care* | -6.0% | 2.8% | -0.3% |
| Alphabet Inc. – Not Held | *Information Technology* | +12.2% | 0.0% | -0.2% |
| Apple Inc. – Not Held | *Information Technology* | +7.5% | 0.0% | -0.2% |

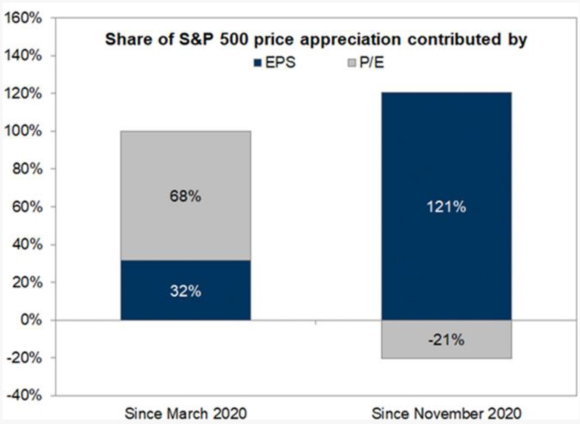
## MARKET REVIEW

The MSCI World Total Return Index with Net Dividends in AUD (Index) returned +3.9% during the September quarter. The month of September saw a break in the pattern of rising equity markets experienced since the COVID pandemic lows of March 2020. For the month, the MSCI World Net Total Return Index in AUD was down 3.0%, partially reversing the gains of July and August.

Chart 1: MSCI World Total Return Net Index (Unhedged in AUD) Monthly and Cumulative Return

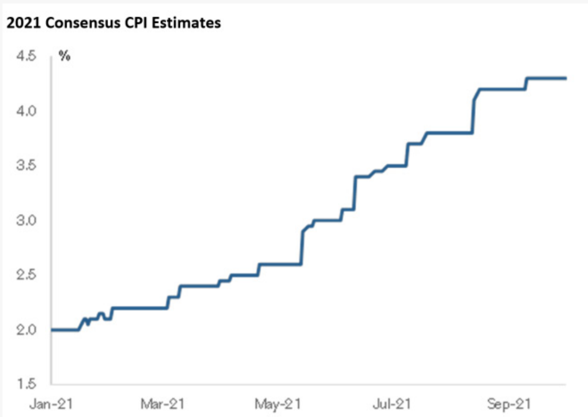



Looking back over the post-pandemic period, it is interesting to see the contributors to the market's performance. As the chart below shows, the US market since March 2020 has been very much driven by a higher P/E multiple (2/3 of the movement in the S&P500), but since November 2020 when reopening hopes were being priced in, EPS has been the dominant driver. EPS momentum has continued until recently but came to a halt in August this year after the strong Q2 earning season in July. The recent lowering of GDP expectations for 2021 and 2022 are now slowly starting to creep into 2021 expectations, which have drifted slightly lower in recent months.




*Source: Goldman Sachs*

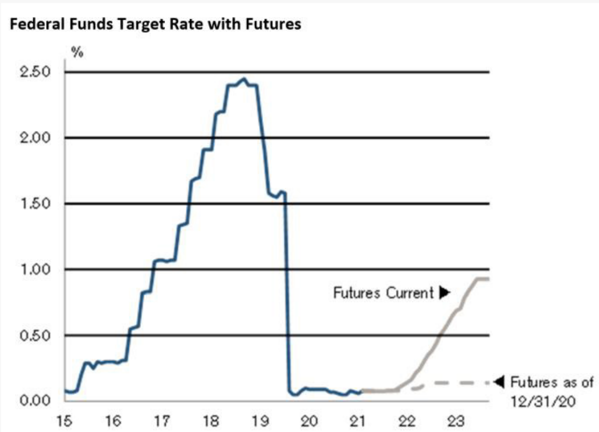
Energy was one of the stand-out performers during the quarter. Another gain in the WTI oil price was the main driver, as the strong recovery in demand is not being met by similar growth in supply. This is yet another contributor to increasing inflation expectations discussed in our March 2021 report. The ongoing supply chain issues are now translating into higher logistics costs and other input costs for most companies. Combining this with higher raw materials costs, including oil, it is not surprising to see that expectations for CPI are on the up in all developed markets (see chart for US CPI expectations).




*Source: Credit Suisse*

## MARKET REVIEW (Continued)

As a direct consequence of these inflation expectations, it was not surprising to see the Fed turning more hawkish at its most recent FOMC meeting in September. Chairman Powell has now made it crystal clear that tapering of the current US$120bn/month QE purchases will start in November, but what was more surprising was the pace of tapering with an expected conclusion of all QE purchases mid next year. On top of that, the so-called dot-plot, where each Fed member gives their prediction of future rates, has also turned more hawkish. Where the medium Fed member expected the first interest rate hike in 2023, the upward movement is now expected to start mid next year. These new expectations were priced in quickly on most points on the yield curve and as a result we saw a similar steepening evidenced in March this year with the 10-year moving up to 1.5%. The short end remains the same, for now, but looking at the movement in futures it is clear that the market is taking this signal seriously.




*Source: Credit Suisse*

Despite general market optimism, COVID is still impacting activity and sentiment. It is however good to see that most Delta outbreaks around the world have peaked. In Europe, the average daily cases have been coming down in the last 2 months and are now about 40% lower than in the peak of July. The US has seen a more stubborn continuation of cases, very much concentrated in a handful of States, but has also seen cases coming down from its recent Delta peaks. From an investment point of view, it is clear however that most developed markets are reopening at a rapid pace and with vaccination rates moving up are unlikely to fall back to shutdowns or other measures negatively impacting the economy. Here in Australia, we are hoping to join them soon and given the progress of the vaccination rate we are optimistic that we have seen the worst.

The final big driver of market sentiment was the many new policies and other related statements coming from China. The negative sentiment started in the gaming sector, where the government declared computer games as 'spiritual opium' and declared a moratorium on new games. This descended quickly into overall worries about listed Chinese stocks abroad and their issues with disclosure and governance and let to a fall in so-called VIE's (Variable Interest Entities) that are in many cases listed through ADR structures on the Nasdaq. This was swiftly followed by Beijing starting to discuss new 'Common Prosperity' measures, which have a remarkable echo to the Communist past of the country. To top it all off, the local real estate market finally had its


## FURTHER INFORMATION

T: 1300 927 254

E: contact@warakirri.com.au

W: www.warakirri.com.au