

Nikko AM Global Equity Multi-Manager Unhedged Strategy

Monthly Update 29 February 2024

Assets are held in the Nikko AM NZ Wholesale Global Equity Hedged Fund. The Nikko AM Global Equity Multi-Manager Hedged Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- Global equities had an impressive performance in February.
- The MSCI All Countries World Index returned a very significant 5.37% (NZD, unhedged).
- The USA was the top performing developed equity market with a return of approximately 7%.
- Emerging market equities had a good month too, with a gain of 5.9% across the region.
- From a style perspective “quality” and “growth” both returned more than 7% to outperform “value” which returned 3.7%.

Fund Highlights

- The fund returned 7.18% for the month, ahead of its benchmark return of 5.37%.
- All three underlying managers once again outperformed the benchmark.
- Nine of the fund’s 105 holdings each returned more than 20% in February.
- The key contributor to this very strong performance in February was good stock selection in the financials, communication services, industrials, information technology and materials sectors.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	7.18%	15.73%	33.39%	17.06%	17.95%	14.94%
Benchmark²	5.37%	11.46%	25.23%	13.28%	13.01%	11.87%
Retail³	5.47%	14.96%	30.33%	15.89%	16.61%	13.59%

1. Returns are before tax and before the deduction of fees and including tax credits (if any). Based on actual calendar periods.
2. Benchmark: MSCI All Countries World Index (net dividends reinvested), in NZD terms. No tax or fees.
3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any). Based on change in unit price.

Five Year Cumulative Performance, \$10,000 invested^{1,2}



Investment Manager

The multi-manager global equity strategy is managed by Yarra Capital Management’s (YCM) multi-strategy team based in Sydney and Melbourne. This team provides advice and input to the Nikko AM NZ Investment Committee which is responsible for the ongoing selection, monitoring and review of the underlying investment managers. The Nikko AM NZ Investment Committee comprises senior members from the business and is chaired by the Portfolio Manager, Alan Clarke.

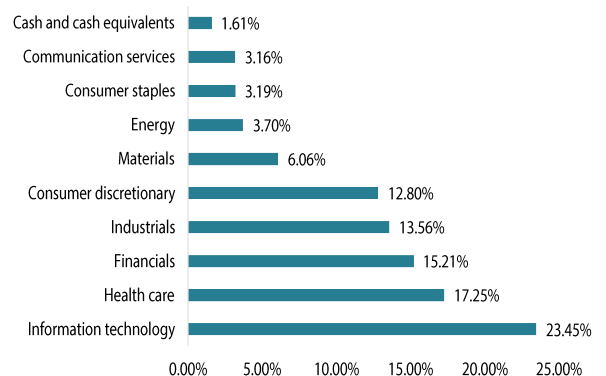
Overview

This fund aims to provide investors with long term growth from an actively managed investment portfolio selected from global equity markets. Currency exposures created as a consequence of global equity investment are unhedged.

Objective

The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

Asset Allocation

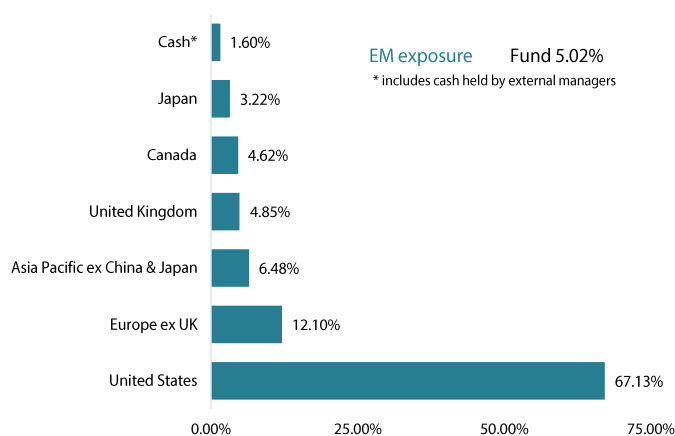


Top 10 Holdings	% of Fund	Country	Manager	Allocation	Active Return
Microsoft	6.53	United States	NAM Europe & NZD Cash	24.19%	0.47%
Nvidia	3.76	United States	Royal London	47.89%	1.76%
Amazon	3.29	United States	WCM	27.41%	3.09%
Unitedhealth	2.96	United States	Cash & Derivatives	0.51%	n/a
Progressive	2.12	United States	Based on unhedged performance		
Visa	2.05	United States	What helped		What hurt
Steel Dynamic	1.94	United States	Nvidia	O/W	UnitedHealth
HCA Healthcare	1.89	United States	Apple	U/W	UPM-Kymmene
Thor Industries	1.87	United States	Kinsale Capital	O/W	Atlassian
Safran	1.86	France	OW: overweight; UW: underweight; NH: no holding – month end position		

Market Commentary

Global equities extended their January gains and followed through with an even more impressive performance in February. The most recent month saw the MSCI All Countries World Index return a very significant 5.37% (NZD, unhedged) – well ahead of New Zealand equities which had a negative return in February. The USA was the top performing developed equity market with a return of approximately 7%, while the equity markets of the Netherlands, Germany and Japan also performed well. Emerging market equities had a good month too, with a gain of 5.9% across the region, driven by strong gains in the equity markets of South Korea, China and Taiwan. There weren't too many disappointments over the month, with the main laggards being the equity markets of the United Kingdom and Switzerland. From a style perspective February was similar to January: "quality" and "growth" both returned more than 7% to outperform "value" which returned 3.7%. That was not surprising given the extremely strong performance of some of the mega cap US technology stocks such as Nvidia (29.9%) and Meta Platforms (27.1%). While the consumer discretionary sector was the top performing sector with a gain of more than 9%, that return was heavily influenced by Amazon which accounts for 21% of the sector and returned 15.1% in February. The information technology sector also excelled with a return of more than 7%, followed by industrials and communication services.

Geographical allocation



Fund Commentary

In February the fund delivered a return of 7.18% (gross of fees) to outperform the benchmark return of 5.37% by 181 basis points (bps). All three underlying managers once again outperformed with WCM (8.46%) and NAME (7.79%) leading the charge followed by Royal London (7.13%). The key contributor to this very strong performance in February was good stock selection in the financials, communication services, industrials, information technology and materials sectors. The fund also benefitted from underweights to the poor performing consumer staples, energy, utilities, real estate sectors. Nine of the fund's 105 holdings each returned more than 20% in February; this diverse group includes financials (Kinsale Capital Group, Palomar Holdings, Adyen NV and Ryan Specialty Holdings), consumer discretionary (Samsonite International, Floor & Décor Holdings and Ferrari), information technology (Nvidia Corp) and communication services (Meta Platforms). It's also worth mentioning that General Electric (GE), the industrial conglomerate founded in 1892, gained just shy of 20% in February and is now the second largest holding (after Novo Nordisk) in WCM's portfolio.

Key Fund Facts

Estimated annual fund charges (incl. GST)		Distributions: Generally does not distribute	Strategy Launch: October 2008
Wholesale:	Negotiated outside of the unit price.	Exclusions: Any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009. Investment prohibited in tobacco manufacturers	Strategy size: \$293.1m
Retail:	1.42%, refer to PDS for more details.		Buy / Sell spread: 0.07%/0.07%
Hedging:	Any foreign currency exposure in unhedged.		

Compliance

The wholesale fund complied with its investment mandate and trust deed during the month.

Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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