

# NIKKO AM GLOBAL SHARES HEDGED STRATEGY

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

## Market Overview

- Global equity markets continued to push higher into year end, buoyed by an extremely favourable liquidity environment and rising optimism regarding the extent of economic recovery likely in 2021.
- Governments across the world are rushing to administer vaccines for the coronavirus and this has allowed investors to look through the current deterioration in news flow regarding the pandemic.
- Energy and Financial sectors were the best performers for the quarter, with Defensive sectors underperforming fairly consistently this quarter - particularly Healthcare, Consumer Staples, Real Estate and Utilities.

## Fund Highlights

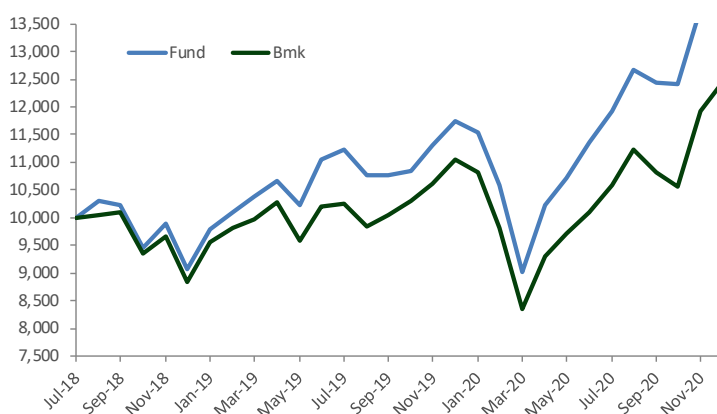
- The portfolio returned 6.39% for the month, 17.95% for the quarter.
- SVB Financial, HDFC and HelloFresh positively contributed to performance for the quarter.
- Palomar, Kingspan and LHC Group were amongst the underperformers in the fund.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	6.39%	17.95%	24.97%			
Benchmark <sup>2</sup>	4.45%	15.02%	12.63%			
Retail <sup>3</sup>	5.01%	18.21%	23.19%			

1. Returns are before tax and before the deduction of fees. Based on actual calendar periods.
2. Benchmark: MSCI All Countries World Index (net dividends reinvested), 139% gross hedged to NZD. 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

## Since Inception Cumulative Performance (gross), \$10,000 invested.<sup>1,2</sup>



## Investment Manager

The Global Shares Strategy is managed by Nikko AM's Global Equity team that is based in Edinburgh, Scotland. With over 20 years average experience, team members have dual roles of portfolio manager and analyst responsibility and work together on an equal basis to construct client portfolios. This flat investment structure and investment process has been in place since the team's foundation.

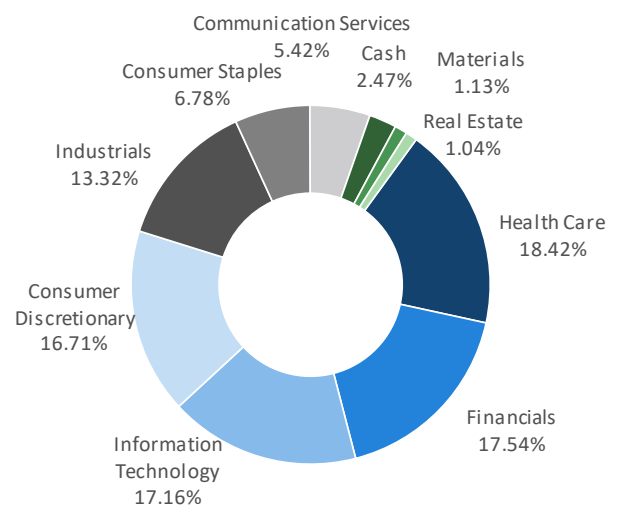
## Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth with currency exposure created as a consequence of global equity investment hedged to NZD.

## Objective

The fund aims to outperform the benchmark, gross hedged 139% to NZD return by 3% per annum before fees, expenses and taxes over a rolling three year period.

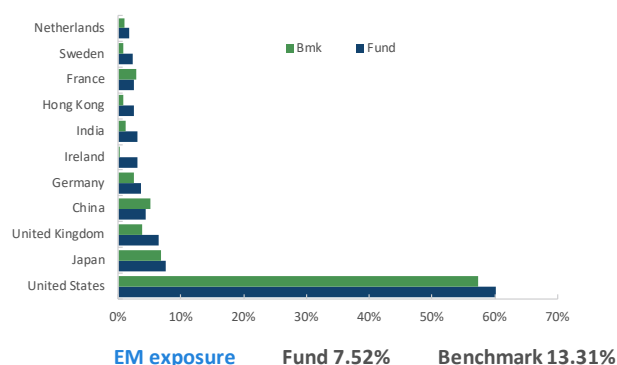
## Asset Allocation



### Top 10 Holdings

	Fund	MSCI	Country
Microsoft Corporation	5.08	2.70	US
Amazon.com, Inc.	4.23	2.34	US
HelloFresh SE	3.58	0.02	Germany
Sony Corporation	3.28	0.21	Japan
Tencent Holdings Ltd.	3.12	0.71	China
HDFC Bank Limited Sponsored ADR	3.09	0.00	US
Accenture Plc Class A	3.01	0.28	US
Coca-Cola Company	2.91	0.38	US
LivanoVA Plc	2.88	0.00	US
Palomar Holdings, Inc.	2.72	0.00	US

### Geographical Allocation



### Market Commentary

Global equity markets continued to push higher into year end, buoyed by an extremely favourable liquidity environment and rising optimism regarding the extent of economic recovery likely in 2021. Governments across the world are rushing to administer vaccines for the coronavirus and this has allowed investors to look through the current deterioration in news flow regarding the pandemic. News of several virus mutations emerged throughout the quarter and newly recorded infections surged higher. Restriction on mobility have been stepped up in an attempt to contain the spread and mitigate the pressure on healthcare workers. The hope is that these measures will buy enough time for the vaccines to offer a measure of protection to those most at risk from the virus. November saw 'Pfizer Monday', when news first broke regarding the encouraging efficacy of the vaccine developed by Pfizer and BioNTech. This news led to a sharp rebound in investor confidence. Materials and Financials, both outperformed again in December and were among the best performing sectors in Q4. Industrials fared less well in December, reflecting higher investor expectations for the sector - though the sector still outperformed over the quarter. Energy also slightly underperformed in December, despite the ongoing depreciation of the USD against its trading partners and continued positivity regarding commodity prices. November's strength, however, meant that Energy vied with Financials for the best performer in Q4. The main reason why December looked more like the rest of 2020 than November was found in the performance of the Information Technology sector. Having served as a source of funds for more cyclical investments in November, the Technology sector enjoyed a much better December, easily outperforming the market and rivalling Materials for the best performing sector. Defensive sectors underperformed fairly consistently this quarter. Healthcare, Consumer Staples, Real Estate and Utilities all failed to keep up with the market, with Real Estate, Healthcare and Consumer Staples actually delivering negative returns in absolute terms.

### Fund Commentary

The fund returned 6.39% for the month, 17.95% for the quarter well ahead of benchmark. Positives for the portfolio included **SVB Financial**, who, whilst most banks are being impacted by ultra-low interest rates and lighter-than-usual demand for commercial loans, continues to lend heavily to the venture capitalist community through capital call lines of credit that offer higher interest rates. **HDFC** benefitted from better than expected quarterly results and from signs that the Indian economy may have seen the worst of the impact from the coronavirus. **HelloFresh** was strong in December on the back of an impressive Capital Markets Day, which provided investors with greater clarity around customer behaviour, 2021 financial guidance and long-term growth drivers. Negatives included **Palomar** which succumbed to profit taking this quarter after an extremely strong run in the shares. The catalyst for the profit taking was a pre-announcement of greater than expected insurance losses as a result of natural catastrophes in October, with 4 hurricanes having hit the US in the quarter. **Kingspan** was negatively impacted by news flow from Phase 2 hearings of the Grenfell Tower inquiry. The use of the company's KI 5 insulation was non-compliant with Building Regulations and unsafe. **LHC Group** saw its share price fall post Q3 results. This initial negative reaction was driven by concerns around cautious Q4 EBITDA guidance.

(Bold denotes stocks held in the portfolio)

### Key Fund Facts

#### Distributions

Generally does not distribute.

#### Hedging

Any foreign currency exposure is gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

#### Exclusions

Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.

#### Restrictions

Adult entertainment, gambling, fossil fuels, alcohol stocks. For more information please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <https://www.nikkoam.co.nz/invest/retail>.

#### Estimated annual fund charges

Wholesale: negotiated outside of the unit price  
Retail 1.22%, refer to PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07%/0.07%	July 2018	\$155m

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

**Contact Us** [www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on [nikkoam.co.nz](http://nikkoam.co.nz).