

Factsheet 30 June 2021

# NIKKO AM GLOBAL EQUITY UNHEDGED STRATEGY

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

## Market Overview

- The MSCI All Countries World Index gained 7.64% (NZD, unhedged) which was its best quarterly result since the second quarter of 2020 (when it soared 9.79%).
- US Federal Reserve commentary indicated inflation could be stronger than expected, a bounce in the US dollar and the realization that the 'Delta' variant is leading to an acceleration in COVID-19 cases across the world, helped accelerate the profit taking in the cyclical cohort.
- Financials suffered over the quarter, as lower yields implied future falling returns across the banking community. The utilities sector was however by far the worst performing sector with a return of -0.2% over Q2.

## Fund Highlights

- The fund returned 7.12% in the second quarter to trail the benchmark return of 7.64% by 52 basis points (bps).
- RLAM (7.28%) was marginally behind the benchmark, while NAME (6.65%) had a challenging three months relative to the benchmark performance.
- At the aggregate fund level, WCM and RLAM had the lion's share of winners over the quarter, with names such as Steel Dynamics, Shopify, WuXi Biologics and Eli Lilly adding the most value.
- NAME's portfolio was more evenly split between contributors and detractors but tilted more towards detractors.

## Performance

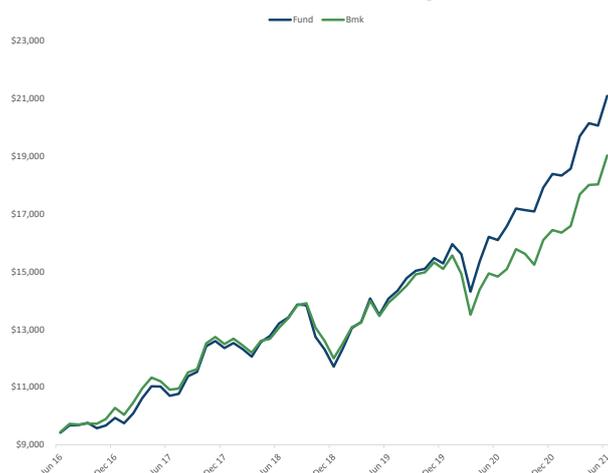
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	5.14%	7.12%	31.05%	16.89%	17.51%	14.18%
Benchmark <sup>2</sup>	5.56%	7.64%	28.30%	13.37%	15.05%	12.23%
Retail <sup>3</sup>	4.92%	7.79%	31.81%	16.07%	16.70%	

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), 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 (gross), \$10,000 invested <sup>1,2</sup>



## Investment Manager

The multi-manager global equity strategy is managed by Nikko AM's multi-strategy team based across Sydney and Singapore. 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 Managing Director, George Carter.

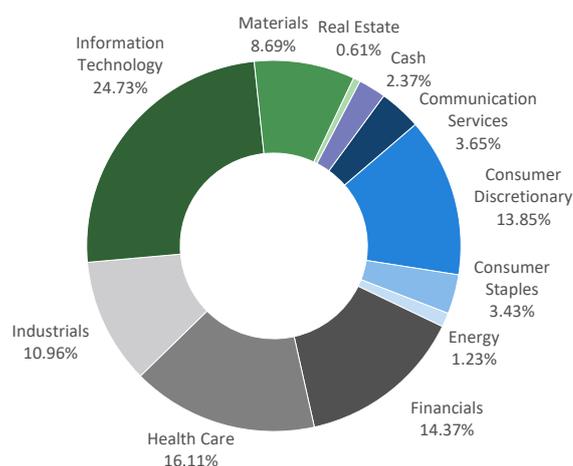
## Overview

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	Fund	MSCI	Country	Manager	Allocation	Active Return
Microsoft	4.59%	2.92%	US	NAM Europe	30.02%	-1.54%
Amazon.com	3.48%	2.22%	US	Royal London	43.93%	-0.36%
Visa Inc	2.57%	0.60%	US	WCM	25.30%	2.08%
Progressive Corp	2.22%	0.09%	US	Cash & Derivatives	0.74%	N/A
Taiwan Semiconductor	2.16%	0.79%	Taiwan			
UPM-Kymmene	2.10%	0.03%	Finland			
Constellation Software	1.92%	0.05%	Canada			
Old Dominion Freight Line	1.84%	0.04%	US			
Anglo American plc	1.83%	0.08%	South Africa			
HCA Healthcare Inc	1.72%	0.08%	US			

What helped	What Hurt
Steel Dynamics	OW HDFC Bank
Shopify Inc	OW Alphabet
WuXi Biologics	OW Apple Inc

OW: overweight; UW: underweight; NH: no holding – month end position

## Market Commentary

For the fifth straight month, global equity markets posted a positive return (in NZD terms). For the quarter the MSCI All Countries World Index gained 7.64% (NZD, unhedged) which was its best quarterly result since the second quarter of 2020 (when it soared 9.79%). Investors don't have to look too far beneath the surface to see that there has been significant rotation between sectors and styles over the last few months, and indeed more aggressively in the last month. Despite high valuations and a flattening of the yield curve, growth stocks outperformed in June. The rotation into growth was at the expense of cyclical areas of the market, perhaps suggesting that the easy money from the re-rating in cyclicals is now behind us. US Federal Reserve commentary indicating inflation could be stronger than expected, a bounce in the US dollar and the realization that the 'Delta' variant is leading to an acceleration in COVID-19 cases across the world, helped accelerate the profit taking in the cyclical cohort. On the flip side, financials suffered over the quarter, as lower yields implied future falling returns across the banking community. The utilities sector was however by far the worst performing sector with a return of -0.2% over Q2. Negative real rates and incredibly low absolute rates allowed investors to ignore, in the short term at least, the importance of valuation support. In the longer term, it seems unlikely that the "growth at any cost" playbook, so successful for the last decade, is the best approach for the next.

## Fund Commentary

The fund returned 7.12% in the second quarter to trail the Benchmark return of 7.64% by 52 basis points (bps). While somewhat disappointing in relative terms, an absolute return of more than 7% over any 3-month period remains a very strong result. The underlying managers have had mixed fortunes over the quarter, with WCM (9.72%) the standout owing to very strong outperformance in June. RLAM (7.28%) was marginally behind the benchmark, while NAME (6.65%) had a challenging three months relative to the benchmark performance. At the aggregate fund level, WCM and RLAM had the lion's share of winners over the quarter, with names such as Steel Dynamics, Shopify, WuXi Biologics and Eli Lilly adding the most value. NAME's portfolio was more evenly split between contributors and detractors but tilted more towards detractors. While Growth was back in favour, NAME underperformed due to a combination of profit taking in a few cyclical/improving quality stocks, and some one-off issues with certain holdings. NAME's top detractors from performance over the quarter were Sony, HDFC Bank, Royal Phillips, Global Payments and Deere & Co. On the positive side, HelloFresh continued, and software company Adobe Systems posted extremely strong quarterly results. RLAM had marginal underperformance over the quarter as some of the Value tailwinds which drove its excellent performance over the last 12 months, started to fade. Nevertheless, its top contributors to performance over the quarter were a good mix of Growth and Value companies from various segments of the corporate life cycle, e.g. Steel Dynamics, Eli Lilly & Co, Microsoft, Alphabet and Bridgestone Corp. WCM had an excellent Q2 after large underperformance in the first quarter (which wasn't a surprise after a record-breaking 2020 calendar year). The consumer discretionary sector's major winners were Louis Vuitton, Magazine Luisa, Nike Inc and Lululemon, while the healthcare sector hosted very strong performers such as WuXi Biologics and West Pharma Services. The only disappointment of note in the WCM portfolio over the quarter, was poor stock selection in the communication services sector, where the Chinese internet media holding company Tencent had a return of -3.7%.

## Key Facts

### Distributions

Generally does not distribute

### Hedging

Any foreign currency exposure is unhedged.

### Exclusions

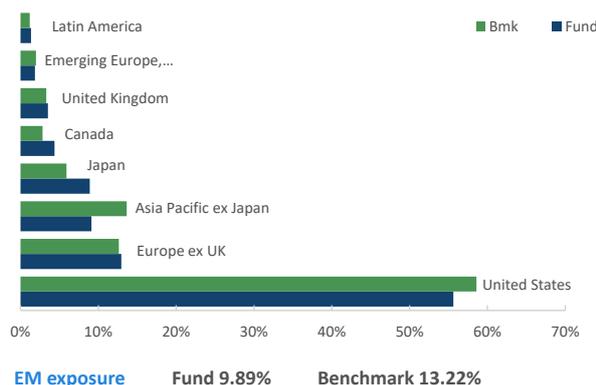
Any security that conduct activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009 and tobacco manufacturers.

### Estimated annual fund charges (Incl. GST)

Wholesale: negotiated outside of the unit price  
Retail: 1.42%, refer PDS for more details

<b>Buy / Sell spread:</b>	<b>Strategy Launch</b>	<b>Strategy size</b>
0.07% / 0.07%	October 2008	\$220.3m

## Geographical Allocation



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

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