

Factsheet 31 August 2021

NIKKO AM GLOBAL EQUITY HEDGED STRATEGY

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

Market Overview

- Global equity markets continued to rise in August, as investors bet that a surge in COVID-19 cases (attributable to the delta variant) would give the US Federal Reserve more reason to reconsider any meaningful shift in monetary policy.
- August saw some respite for China's technology sector, after the sharp falls seen in July. Although uncertainty remains over the extent of the policy crackdown on these companies, the Chinese Government attempted to provide some perspective this month – insisting that the focus was on prosperity for all rather than attacking private companies.
- Corporate profits have continued to recover from COVID-19 more quickly than expected by many and earnings have continued to surprise positively. It is fair to say, however, that the extent of the revisions has slowed meaningfully relative to the 1st quarter.

Fund Highlights

- The fund returned 3.16% in August to marginally outperform the benchmark.
- The main drivers of outperformance in August were the consumer discretionary, energy, communication services and industrials sectors. Among the top performers in those sectors were MercadoLibre, HelloFresh, Alphabet, Daikin Industries and Old Dominion Freight Line. The chief detractors from performance were found in the information technology and consumer staples sectors, and include names such as Visa Inc, Global Payments, Pernod Ricard and Church & Dwight.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	3.16%	6.53%	35.16%	17.69%	16.10%	15.59%
Benchmark ²	2.99%	4.64%	29.35%	13.08%	13.51%	13.83%
Retail ³	2.29%	6.24%	33.10%	15.93%	14.54%	

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.

Five Year Cumulative Performance (gross), \$10,000 invested 1,2



Investment Manager

The multi-manager global equity strategy is managed by a 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.

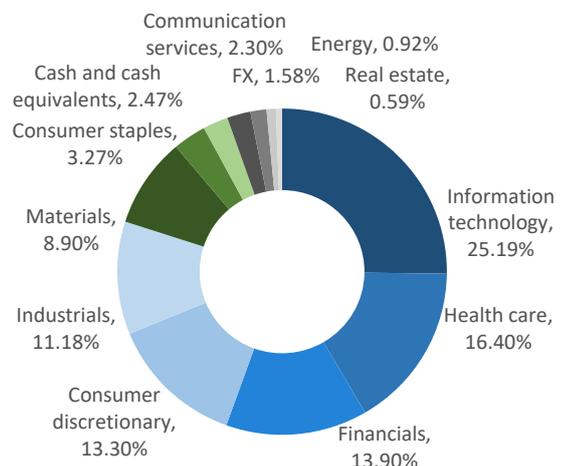
Overview

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 gross hedged at 139% to NZD.

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	Country	Manager	Allocation	Active Return
Microsoft Corp	4.90	US	NAM Europe	29.51%	0.39%
Amazon Com Inc	3.33	US	Royal London	43.71%	0.11%
Steel Dynamics Inc	2.23	US	WCM	26.38%	-0.21%
Constellation Software	2.12	Canada	Cash & Derivatives	0.39%	N/A
Visa Inc	2.10	US			
Progressive Corp	2.08	US			
Taiwan Semiconduct Manufacturing	2.06	Taiwan			
HCA Healthcare Inc	1.99	Canada			
Anglo American Plc	1.99	US			
Old Dominion Freight Line Inc	1.91	US			

What helped	What Hurt
MercadoLibre	OW Visa Inc
HDFC Bank	OW Reliance Steel
Topicus.com	OW LHC Group

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

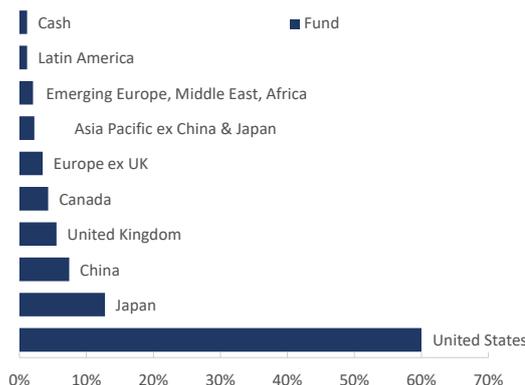
Market Commentary

Global equity markets continued to rise in August, as investors bet that a surge in COVID-19 cases (attributable to the delta variant) would give the US Federal Reserve more reason to reconsider any meaningful shift in monetary policy. For example, the S&P 500 has made an unprecedented number of all-time highs this month and has now climbed for seven months in a row. US Federal Reserve President Powell’s speech at Jackson Hole towards month end appeared to confirm this suspicion. Whilst he acknowledged that the US Federal Reserve would likely slow the rate of purchase of bonds by year end (and, with these, the creation of even more liquidity), he was at pains to suggest that any increase in interest rates would be some time later and contingent upon economic data in 2022. August saw some respite for China’s technology sector, after the sharp falls seen in July. Although uncertainty remains over the extent of the policy crackdown on these companies, the Chinese Government attempted to provide some perspective this month – insisting that the focus was on prosperity for all rather than attacking private companies. Given the significant job creation of China’s technology sector and its strategic importance to the country’s long-term wealth, investors cautiously returned to some of the stocks affected, like Tencent. August saw the quarterly earnings season effectively draw to a close. Corporate profits have continued to recover from COVID-19 more quickly than expected by many and earnings have continued to surprise positively. It is fair to say, however, that the extent of the revisions has slowed meaningfully relative to the 1st quarter.

Fund Commentary

The fund modestly outperform the benchmark over the month. This takes the fund’s calendar year-to-date return to 17.63% which is an extremely strong result. While the growth and value styles have swapped leadership often over the last few months, the fund’s quality holdings have kept it well ahead of both style indices. As always, stock selection was the main driver of outperformance in August – this was particularly true in the consumer discretionary, energy, communication services and industrials sectors. Among the top performers in those sectors were MercadoLibre, HelloFresh, Alphabet, Daikin Industries and Old Dominion Freight Line. The chief detractors from performance were found in the information technology and consumer staples sectors, and include names such as Visa Inc, Global Payments, Pernod Ricard and Church & Dwight. At the aggregate fund level, the South American internet retailer MercadoLibre was the month’s top contributor to performance. Together with Alibaba Group, these two companies dominate two of the world’s fastest-growing e-commerce markets: MercadoLibre is the leader in Latin America, while Alibaba Group is the top player in China. The main detractor from performance was the post-acute healthcare service business LHC Group (LHC) which was negatively impacted by weak results of one of its peers (Amedisys). However, hospice only accounts for 11% of LHC’s sales and the mid-term growth story for Home Health continues to look attractive, as demand for at-home care continues to increase and legislation works its way through US Congress that will direct more care into this setting and away from hospitals.

Geographical Allocation



EM exposure Fund 10.29%

Key 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

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

Buy / Sell spread:	Strategy Launch	Strategy size
0.07% / 0.07%	October 2008	\$98.1m

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

Contact Us

www.nikkoam.co.nz | 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 a Financial Advice Provider 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.