

# NIKKO AM GLOBAL SHARES UNHEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Shares Fund. The Nikko AM Global Shares Fund (retail) and Nikko AM KiwiSaver Scheme Global Shares Fund 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.
- 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 2.07% for August, 0.43% ahead of the benchmark.
- Positive contributors were HelloFresh, Daikin and HDFC Bank.
- Negative contributors were LHC Group, Global Payments and LivaNova.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale <sup>1</sup>	2.07%	9.87%	28.64%	17.89%	
Benchmark <sup>2</sup>	1.64%	8.16%	23.53%	12.11%	
Retail <sup>3</sup>	1.95%	9.28%	26.74%	16.67%	
KiwiSaver <sup>3</sup>	1.97%	9.35%	27.03%	17.34%	

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.

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



## Investment Manager

The Global Shares Strategy is managed by a 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.

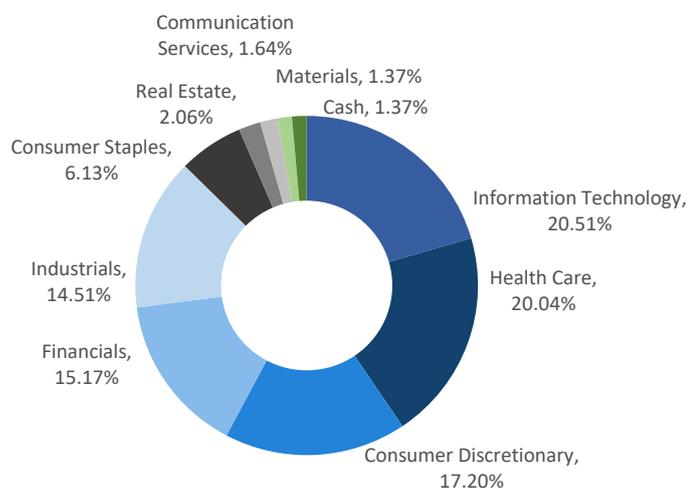
## Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth.

## Objective

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

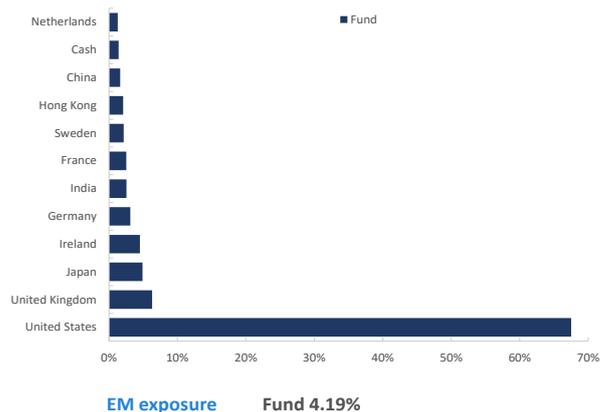
## Asset Allocation



### Top 10 Holdings (%)

	Fund	Country
Microsoft Corp	6.34	US
Amazon Com Inc.	3.80	US
Adobe Inc Com	3.66	US
Accenture Plc	3.34	Ireland
Hellofresh SE	3.18	Germany
Abbott Labs	3.01	US
Carlisle Cos Inc.	3.00	US
Sony Corp	2.88	Japan
Compass Group	2.84	UK
Palomar Holdings Inc.	2.82	US

### Geographical Allocation



### 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. Importantly, he specifically separated the two strands of policy that have proven such an effective support for asset prices – ongoing bond buying by the US Federal Reserve and historically low interest rates. 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 significantly outperformed its benchmark over August. Positive contributors were HelloFresh, Daikin and HDFC Bank. HelloFresh outperformed on the back of another set of strong quarterly results. Management upgraded revenue guidance for the third time this year, reflecting continued strong demand for meal-kits despite markets re-opening after COVID-19 lockdowns. Daikin performed strongly after quarterly results illustrated that the company is executing on the key themes of its medium-term plan. Themes include improvement in the North American operation, decarbonisation, development of solution proposals, stronger technology development and establishment of a robust supply chain. HDFC Bank benefited after the RBI allowed the company to resume issuing new credit cards, lifting the restriction that was imposed in December 2020, following the RBI’s review of the bank’s IT system outages in recent years. This news is a positive for the bank because it is the first time in eight months that the company can acquire new customers again, helping to rebuild the pipeline and improve long-term revenue potential. Negative contributors were LHC Group, Global Payments and LivaNova. LHC Group was also impacted by the Amedisys results. Global Payments sold off following the market’s overreaction to an okay set of quarterly results. LivaNova failed to keep pace with markets after the company announced a USD300m equity issue. The proceeds will allow the company to redeem expensive debt that they raised during 2020 and will be accretive to near term earnings as a result.

### Key Fund Facts

#### Distributions

Generally does not distribute.

#### 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 1.20%, refer to PDS for more details  
 KiwiSaver 1.15% refer to PDS for more details

**Buy / Sell spread:** 0.07%/0.07%    **Strategy Launch** July 2017    **Strategy size** \$505.1m

### 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)

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