

Factsheet 31 October 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

- Global equity markets edged slightly higher in October, helped by a generally supportive corporate results season and a sense that only equities are likely to offer positive real returns in an inflationary environment. This allowed markets to once again reach near all-time highs, recovering from the profit taking seen at the end of September.
- Yield curves flattened throughout the month, as global bond investors increased bets that Central Banks would be forced into a policy response, in response to strong near-term inflation data.
- All of the other major regional indices underperformed, albeit the underperformance was fairly limited in the case of both Europe and the UK.

## Fund Highlights

- The fund returned 1.25% in October to trail the benchmark return by a modest 7 basis points (bps).
- The fund benefitted from its overweight exposures to Old Dominion Freight Line and Microsoft Corp, and underweight exposure to Meta Platforms.
- The main detractors from performance were an underweight exposure to Tesla Inc., and overweight exposures to Visa Inc., and Bridgestone Corp.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	1.25%	-0.04%	26.92%	19.40%	17.77%	15.01%
Benchmark <sup>2</sup>	1.32%	0.73%	26.77%	13.94%	14.71%	13.15%
Retail <sup>3</sup>	-0.11%	-1.06%	24.75%	18.82%	16.47%	

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 Yarra Capital Management's (YCM) multi-strategy team based in Sydney and Melbourne. Nikko AM Australia was sold to YCM in April 2021. 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.

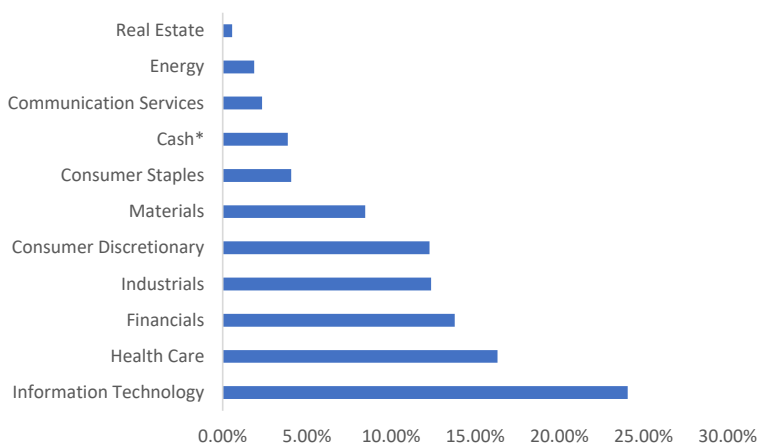
## Overview

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	Country	Manager	Allocation	Active Return
Microsoft Corp	5.26	US	NAM Europe	28.47%	-1.81%
Amazon Com Inc.	3.37	US	Royal London	43.12%	0.95%
Constellation Software	2.36	Canada	WCM	25.95%	0.35%
Old Dominion Freight Line Inc.	2.21	US	Cash & Derivatives	2.45%	N/A
Steel Dynamics Inc.	2.17	US			
Taiwan Semiconduct Manufacturing	2.11	Taiwan			
Progressive Corp.	2.11	US			
Anglo American Plc.	2.07	US			
HCA Healthcare	1.96	US			
Visa Inc.	1.94	US			

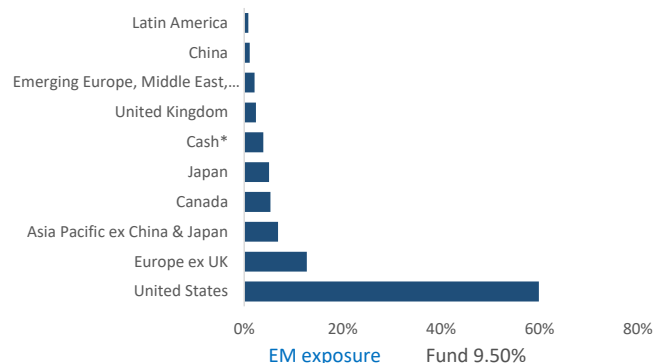
What helped	What Hurt
Old Dominion Freight Line	OW Tesla Inc. UW
Meta Platforms (Facebook)	UW Visa Inc. OW
Microsoft Corp	OW Bridgestone Corp OW

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

## Market Commentary

Global equity markets edged slightly higher in October, helped by a generally supportive corporate results season and a sense that only equities are likely to offer positive real returns in an inflationary environment. This allowed markets to once again reach near all-time highs, recovering from the profit taking seen at the end of September. Yield curves flattened throughout the month, as global bond investors increased bets that Central Banks would be forced into a policy response, sooner rather than later, in response to strong near-term inflation data. The yields on short-dated Government bonds (such as 2-year Government Bonds in Australia, the US and the UK) all rose sharply over the month. Longer dated Government debt moved much less, however – likely reflecting the long-term disinflationary impact of demographics and technology. Regionally speaking, the US was the standout performer among the large regional markets. All of the other major regional indices underperformed, albeit the underperformance was fairly limited in the case of both Europe and the UK. Japan and the Emerging Markets underperformed more meaningfully. Rising oil prices continue to pose a threat to consumer spending in Emerging economies and the relative firmness of the US dollar is not helping sentiment towards these markets either.

## Geographical Allocation



## Fund Commentary

The fund returned 1.25% in October to trail the benchmark return by a modest 7 basis points (bps). Of the underlying managers, Royal London's (RLAM) 95 bps excess return was the highlight of the month. The stock selection effect was mixed across sectors, with holdings in the industrials, materials, healthcare and communication services sectors adding the most value. RLAM, which is about 43% of the aggregate Fund, contributed the most to the month's top contributors and detractors. Old Dominion Freight Line, Microsoft and UnitedHealth all reached new all-time highs in October, while Steel Dynamics erased most of its September losses. Old Dominion Freight Line (ODFL) has been a top contributor to performance for quite some time now. ODFL, which is in the 'Compounding' category of the Corporate Life Cycle, performed strongly in October amid the current shortage of truckers. Microsoft outperformed in October on the back of extremely strong quarterly results. Azure, Microsoft's cloud solution, grew 50% year-on-year, exceeding guidance, and is now 21% of total revenue. Importantly, Azure's growth exceeded that of both Google Cloud and Amazon's AWS, signalling stronger adoption and growing market share. Stock selection in the financials and consumer discretionary sectors was the top detractor from performance over the month. Nil exposure to Tesla which surged 38% was the top individual detractor from performance. Visa, Mastercard, Global Payments also struggled in October, as they face competition from newer peers such as Square Inc. Online meal-kit provider HelloFresh (HFG), one of the Fund's former winners, also underperformed in October as the market is anticipating a weaker quarter for the company.

## Key Facts

### Distributions

Generally does not distribute

### Hedging

Any foreign currency exposure is unhedged.

### Restrictions

Investment prohibited in any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009.  
Investment prohibited in 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	\$220.5m

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

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