

Factsheet 31 December 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

- Equities benefitted from a reasonably supportive corporate earnings season at the start of the quarter then, as the quarter wore on, inflationary pressure built and equities were seen as offering better real returns than bonds.
- Information Technology was the best performing sector over the course of the quarter.
- The combination of Omicron variant of COVID-19 and flattening yield curves saw traditional value sectors cede market leadership, with both Energy and Financials failing to build much on gains made earlier in the year. Both sectors underperformed over the quarter.

## Fund Highlights

- The fund returned 7.86% over the quarter, to outperform the benchmark return by 0.37%
- The fund benefitted from its overweight exposures to Old Dominion Freight Line, Progressive Corp and Microsoft Corp.
- The main detractors from performance were an underweight exposure to WuXi Biologics and overweight exposures to Apple Inc and Tesla.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	3.06%	7.86%	25.66%	25.44%	18.41%	15.55%
Benchmark <sup>2</sup>	3.10%	7.49%	24.66%	19.55%	14.82%	13.65%
Retail <sup>3</sup>	1.97%	6.85%	25.44%	24.43%	17.21%	

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.

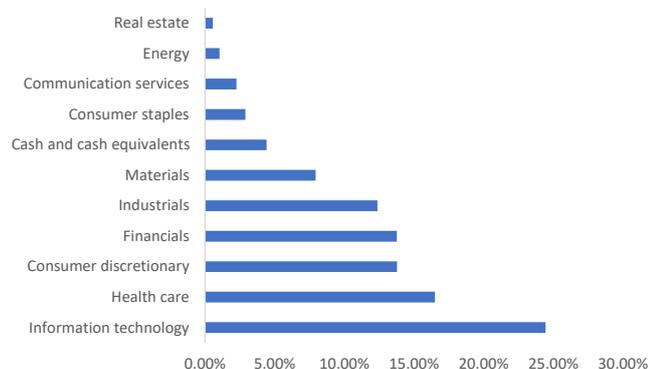
## Overview

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	5.46%	US	NAM Europe	29.18%	-2.19%
Amazon Com Inc.	3.48%	US	Royal London	44.18%	2.48%
Progressive Corp.	2.78%	US	WCM	25.86%	0.12%
Old Dominion Freight Line Inc.	2.21%	US	Cash & Derivatives	0.77%	n/a
Anglo American Plc.	2.20%	UK			
Steel Dynamics Inc.	2.13%	US			
Constellation Software	2.06%	Canada			
Taiwan Semiconduct Manufacturing	2.05%	Taiwan			
Reliance Steel & Aluminium Co	2.05%	US			
United Health Group	2.03%	US			

What helped	What Hurt
Old Dominion Freight Line	OW Apple Inc UW
Progressive Corp	OW Tesla Inc. UW
Microsoft Corp	OW WuXi Biologics OW

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

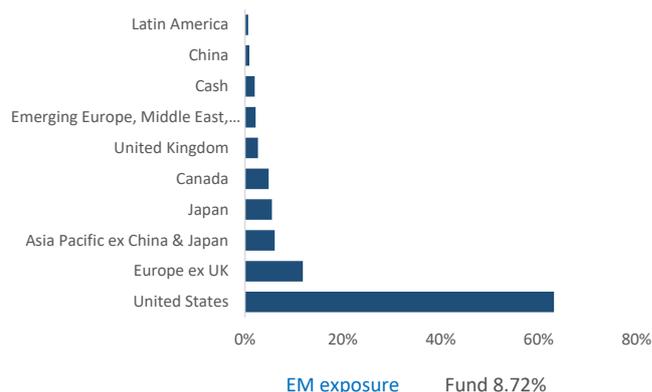
## Market Commentary

Equity markets ended the year on a high. The MSCI ACWI closed up over 6% in USD terms for Q4. Equities benefitted from reasonably supportive corporate earnings season at the start of the quarter then, as the quarter wore on, inflationary pressure built and equities were seen as offering better real returns than bonds. Although yield curves steepened towards the end of the year, they flattened for much of the quarter – with rising short-term yields not matched by longer-dated bonds (even though the Fed has now acknowledged that some inflationary pressures are no longer “transitory”). This served to underscore the appeal of long duration growth stocks. Information Technology was the best performing sector over the course of the quarter. The combination of Omicron variant of COVID-19 and flattening yield curves saw traditional value sectors cede market leadership, with both Energy and Financials failing to build much on gains made earlier in the year. Both sectors underperformed over the quarter. Regionally, the US was outperformed the index, helped by its relatively heavy exposure to big cap technology stocks. All of the other major regional indices underperformed, with the UK and Europe faring worse.

## Fund Commentary

The fund returned 7.86% over the quarter, to outperform the benchmark return by 0.37%. Like the Benchmark performance, the fund’s return over the quarter was also well ahead of its average quarterly return of 3.77% over the last eight years. Royal London (248 bps) was once again the major driver of the outperformance in Q4, while WCM (13 bps) was flat and NAM Europe (-29 bps) had marginal underperformance. For the aggregate fund, the main sources of outperformance were stock selection in the communication services, industrials, materials and healthcare sectors, as well as a large underweight to the poorly performing communication services sector. Value was detracted by suboptimal stock selection in the information technology, financials and consumer discretionary sectors. Royal London’s strong outperformance was driven by stock selection concentrated in the healthcare, communication services, industrials, materials and financials sectors. Alphabet’s (Google) performance was the exception in the poor performing communications services sector, and this was also Royal London’s only stock pick in that sector. WCM’s marginal outperformance (13 bps) over the quarter was driven mostly by double-digit gains in names such as ODFL, Costco, Church & Dwight, Sherwin-Williams, Nike, Ferrari and Lam Research. However, its stock selection in the information technology, financials, consumer discretionary and healthcare sectors was quite poor over the quarter.

## Geographical Allocation



## 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

<b>Buy / Sell spread:</b>	<b>Strategy Launch</b>	<b>Strategy size</b>
0.07% / 0.07%	October 2008	\$223.9m

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

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