

Factsheet 28 February 2022

# 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

- February looked like being a quieter month for equity markets. That was until news broke of Russia's decision to invade neighbouring Ukraine, in an attempt to counter what Vladimir Putin saw as the continued encroachment of Western culture onto what he sees as Russian territory.
- Energy providers have been the biggest outperformers with the market unable to rely on security of supply of the country's oil and gas.
- Regionally speaking, markets with a relatively high exposure to commodities have fared best – whether that exposure is directly to the underlying commodities or to the companies that extract them.

## Fund Highlights

- The fund returned -5.91% for the month, 0.45% behind the benchmark.
- Positive contributors to fund performance over the month were Palomar, Encompass Health and Bio-Techne.
- Main detractors were B Masimo, Adobe and Dolby.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale <sup>1</sup>	-5.91%	-6.49%	10.59%	17.11%	-
Benchmark <sup>2</sup>	-5.46%	-3.38%	15.83%	13.68%	-
Retail <sup>3</sup>	-3.46%	-7.75%	10.78%	16.34%	-
KiwiSaver <sup>3</sup>	-3.44%	-7.74%	11.03%	16.81%	-

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 Nikko AM's 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.

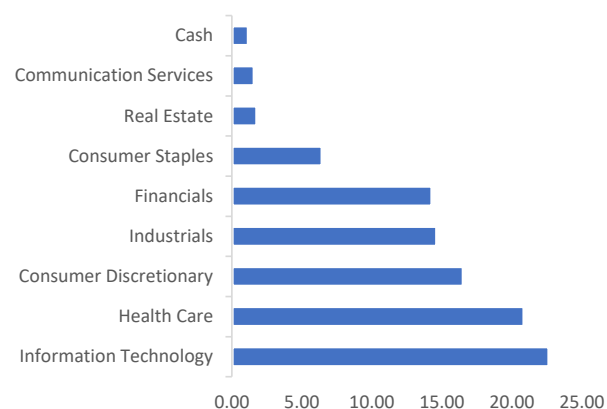
## Overview

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.

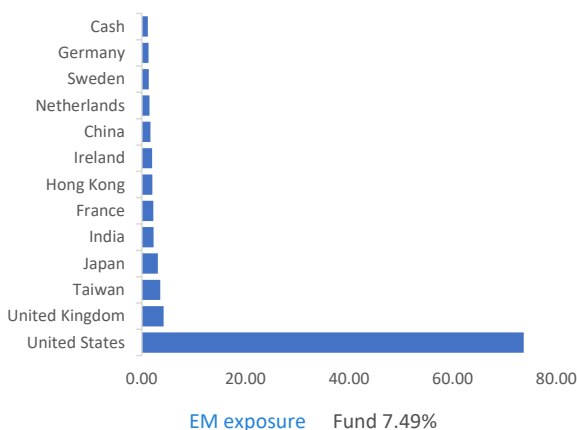
## Asset Allocation



### Top 10 Holdings (%)

	Fund	Country
Microsoft Corp	6.96%	US
Amazon Com Inc	3.80%	US
Taiwan Semicon	3.57%	Taiwan
Compass Group Ord	3.48%	UK
Abbott Labs	3.21%	US
Emerson Electric Co.	3.19%	US
Coca Cola Co.	3.17%	US
Sony Corp	3.09%	Japan
Encompass Health Corp	3.01%	US
Accenture	3.01%	Ireland

### Geographical Allocation



### Market Commentary

After the sharp market rotation evident in January, February had looked like being a quieter month for equity markets. That was until news broke of Russia’s decision to invade neighbouring Ukraine, in an attempt to counter what Vladimir Putin saw as the continued encroachment of Western culture onto what he sees as Russian territory. The immediate equity market impact has been to reappraise the short-term direction of profits. Energy providers have been the biggest outperformers with the market unable to rely on security of supply of the country’s oil and gas. Russia provides up to 40% of Europe’s gas, so it is probably not surprising that some big, relatively prosperous European countries have quickly pivoted towards alternative, new energy sources. Witness Germany’s decision to invest in LNG infrastructure. Other commodity sectors have also fared comparatively well, given Russia and Ukraine’s relatively important role in the provision of materials such as nickel, aluminium and wheat. Energy and Basic Materials were the two strongest performing sectors this month. Regionally speaking, markets with a relatively high exposure to commodities have fared best – whether that exposure is directly to the underlying commodities or to the companies that extract them. Australasia, Canada, Latin America and the UK have all outperformed. Europe ex UK was the weakest of the large regions although the falls in EMEA assets were significantly larger. Russia was more than 20% of EMEA benchmarks at the end of January. With Russian equities now increasingly viewed as uninvestable, these falls could be larger still in March and beyond.

### Fund Commentary

The fund returned -5.91% for the month, 0.45% behind the benchmark. Positive contributors to fund performance over the month were Palomar, Encompass Health and Bio-Techne. Palomar outperformed this month following strong quarterly results. Premium growth was at the high end of the insurance sector and the combined ratio was in the mid-70s despite challenging weather. Encompass Health shares rose following encouraging commentary from management on the Q4 results call. Whilst labour costs and constraints continued to be a significant headwind for the company in Q4, management believes the pressure (specifically related to the utilization of contract labour) is exclusively tied to COVID-19 and should normalise as this subsides. Bio-Techne shares climbed following strong quarterly results, with 17% organic revenue growth and an 18% increase in the adjusted operating profits. Main detractors were Masimo, Adobe and Dolby. Masimo fell sharply last month following the company’s announcement of its planned acquisition of Sound United. Adobe continued to be the subject of profit-taking this month following an extremely strong year. There is evidence of moderating growth for the digital design industry at present after an exceptional 2021. Dolby shares declined after posting weaker-than-expected Q1 results and providing a soft guide into Q2. H1 weakness is driven by lower device shipments due to supply chain constraints.

### 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, tobacco stocks, ‘controversial weapons’, 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** \$520.7m

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

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