

Factsheet 31 May 2022

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

- May proved to be a somewhat calmer month for global equities, with the MSCI Global Equity Index barely changed over the month.
- The best performing sector this month was (once again) Energy, as the oil price continued to rally.
- The weakest sectors were consumer facing, with both Discretionary and Staples underperforming.

Fund Highlights

- The fund returned -0.55% in May to underperform the Benchmark return of -0.17% by 38 basis points (bps).
- Suncor Energy (11.3%) and Anglo American plc (7.8%) both benefitted from the inflationary pressures seen in the commodities sector. Shares of Apple Inc had a return of in May -6.3% – this had a positive impact on performance as the Fund is underweight Apple Inc.
- Among the top detractors, shares of healthcare equipment business Livanova plc fell 12% despite announcing solid quarterly results, with their core epilepsy and Cardiopulmonary businesses doing well.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-0.55%	-2.38%	4.98%	15.99%	13.84%	13.81%
Benchmark ²	-0.17%	-2.17%	4.25%	11.76%	10.91%	12.16%
Retail ³	-2.08%	-2.21%	3.71%	14.52%	12.68%	

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 ^{1,2}



Investment Manager

The multi-manager global equity strategy is managed by Yarra Capital Management's (YCM) multi-strategy team based in Sydney and Melbourne. 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.

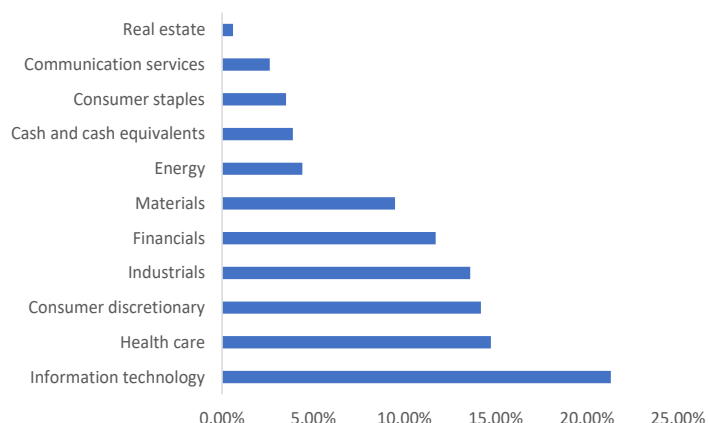
Overview

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	% of Fund	Country	Manager	Allocation	Active Return
Microsoft Corp	6.05	US	NAM Europe	28.81%	-1.02%
Progressive Corp	2.85	US	Royal London	48.71%	0.92%
Amazon Com Inc	2.81	US	WCM	20.96%	-2.51%
Suncor Energy Inc	2.66	Canada	Cash & Derivatives	1.52%	n/a
Anglo American Plc	2.53	UK			
Reliance Steel & Aluminum Co	2.42	US			
Unitedhealth Group Inc Com	2.25	US			
Visa Inc	2.19	US			
Old Dominion Freight Line Inc	2.19	US			
Steel Dynamics Inc	2.08	US			

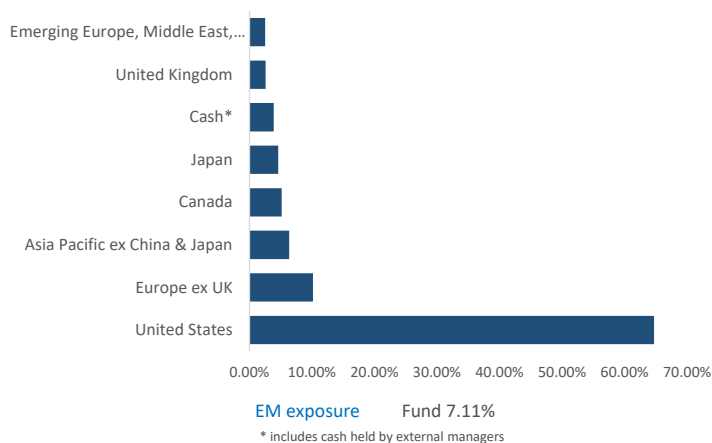
What helped	What Hurt
Suncor Energy	OW Old Dominion Freight Line
Progressive Corp	OW Bill.com
Anglo American plc	OW Livanova plc

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

Market Commentary

After April's renewed volatility, May proved to be a somewhat calmer month for global equities, with the MSCI Global Equity Index barely changed over the month. Bond yields also consolidated, after pushing sharply higher in recent months - as investors weighed a potential peak in short-term inflation and (if so) the possibility of some monetary policy respite from the US Federal Reserve later in the year. Growth stocks took advantage of this respite to regain some of the ground lost in April, though it would be fair to say that most people were characterising this as a dead cat bounce, rather than an indication that it was now safe to go back to the winners from 2020/21. The best performing sector this month was (once again) Energy, as the oil price continued to rally. With political sanctions continuing to tighten on Russia, oil supply looks effectively capped at or around current levels. The weakest sectors were consumer facing, with both Discretionary and Staples underperforming. Despite the respite from bond yields, the Information Technology sector also failed to keep pace with the market in May. Regionally speaking, most of the major geographic areas traded fairly similarly. The US marginally underperformed, however, driven by its above average exposure to the Technology sector. The UK was one of the stronger performing regions, helped again by its relatively significant exposure to Big Oil and banking shares.

Geographical Allocation



Fund Commentary

The fund returned -0.55% in May to underperform the benchmark return of -0.17% by 0.38%. For the three-year period to the end of May, the fund's return of 15.99% p.a. is 4.23% better than the benchmark return. While the fund's return of 4.98% over the last 12 months is less impressive than the double-digit returns seen in prior years, it remains far better than the returns from some regional markets and bond markets. Of the underlying managers, Royal London's strong performance continued in May, with outperformance of 0.92% over the month as its overweight exposure to the outperforming energy and materials sector continued to add value. However, WCM's quality growth strategy once again found tough opposition from style headwinds, with 2.50% underperformance in May. The fund's top five individual contributors to performance in May were mostly from Royal London's core (style neutral) strategy, which is the fund's largest allocation at about 49%. Suncor Energy (11.3%) and Anglo American plc (7.8%) both benefitted from the inflationary pressures seen in the commodities sector. Shares of Apple Inc had a return of in May -6.3% – this had a positive impact on performance as the fund is underweight Apple Inc. Among the top detractors, shares of healthcare equipment business Livanova plc fell 12% despite announcing solid quarterly results, with their core epilepsy and Cardiopulmonary businesses doing well. Although the updates shared by the company on their pipeline were in line with previous comments, there was probably some mild disappointment that they hadn't achieved statistical significance at their first read outs.

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 0.07% / 0.07%

Strategy Launch

October 2008

Strategy size

\$223.8m

Compliance

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

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