

# NIKKO AM GLOBAL SHARES HEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Shares Hedged Fund. The Nikko AM Global Shares Hedged 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 was up 0.22% for the month, 0.44% ahead of the index.
- Positive contributors to fund performance over the month were AdaptHealth, Palomar and Progressive Corp.
- Main detractors included Intercontinental Exchange, Box and LivaNova.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale <sup>1</sup>	0.22%	-5.55%	-10.69%	12.16%	-
Benchmark <sup>2</sup>	-0.22%	-6.12%	-7.36%	10.29%	-
Retail <sup>3</sup>	-0.76%	-5.02%	-10.87%	10.84%	-

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), 139% gross hedged to NZD. 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 with currency exposure created as a consequence of global equity investment hedged to NZD.

## Objective

The fund aims to outperform the benchmark, gross hedged 139% to NZD return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

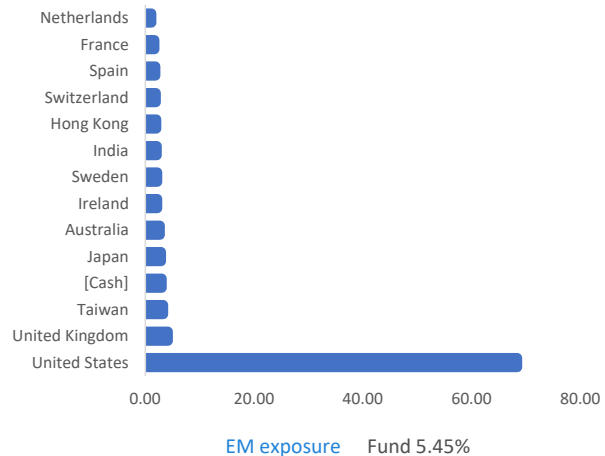
## Asset Allocation



Top 10 Holdings

	% of Fund	Country
Microsoft Corp	5.85	US
Compass Group	3.44	UK
Taiwan Semicon Co	3.21	Taiwan
Encompass Health Corp	3.00	US
Coca Cola Co	3.00	US
Danaher Corp	2.89	US
Sony Corp	2.85	Japan
Carlisle Cos Inc	2.76	US
Worley Ltd	2.62	AUS
Progressive Corp	2.58	US

Geographical Allocation



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.

Fund Commentary

The fund was up 0.22% for the month, 0.44% ahead of the index. Positive contributors to fund performance over the month were AdaptHealth, Palomar and Progressive Corp. AdaptHealth shares recovered this month after the company’s quarterly results indicated there is light at the end of the tunnel on CPAP issues. The long-term growth opportunity for this business remains substantial as healthcare delivery continues to pivot from the hospital to the home. Palomar outperformed in May following strong quarterly results. Most importantly, the company’s business mix is becoming increasingly diverse. This is driving sustained high premium growth levels, margin consistency and a lower risk profile. Progressive shares rose this month, benefitting from its sensitivity to rising interest rates, via its large investment book. Additionally, recent monthly results illustrated that the company continues to see margin improvement in its personal auto business. Main detractors included Intercontinental Exchange, Box and LivaNova. Intercontinental Exchange (ICE) underperformed in May following an announcement that the company would acquire Black Knight Inc (BKI), a software, data and analytics company that serves the housing finance continuum. While the strategic rationale of the transaction has not received a lot of pushback, the purchase price, potential regulatory scrutiny and timing are key areas of investor concern. Box gave up some of the gains it made earlier in the year, a function of the broader sell-off of high-growth, technology names. Despite this weaker market sentiment, Box delivered strong quarterly results, beating consensus expectations. LivaNova underperformed 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 Fund Facts

**Distributions:** Generally does not distribute.

**Hedging** Any foreign currency exposure is gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

**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

**Buy/Sell spread** 0.07%/0.07%

**Strategy launch** July 2018

**Strategy size**  
\$253.8m

Compliance

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

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