

Factsheet 30 June 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

- The 75bps hike during June by the Federal Reserve was a clear indication of how Central bank priorities have clearly shifted from the default of the last decade (encouraging higher prices of financial assets) to addressing the inflationary pressures that have emerged globally over the last 18 months. The performance of sectors over the quarter overall have reflected these concerns, with more cyclical sectors such as Information Technology, Consumer Discretionary and Communication Services (particularly excluding more defensive telecom companies) leading the declines.

Fund Highlights

- The fund returned -4.99% over the quarter, outperforming the benchmark return of -5.65% by 66 bps. Over the longer term, the fund's three-year return of 12.97% p.a. is 399 bps better than the Index return of 8.98% p.a.
- The fund's top individual contributors to performance over the quarter were Suncor Energy, Progressive Corp, Eli Lilly and UnitedHealth Group. The main laggards were Anglo American plc, Autostore Holdings, and HCA Healthcare.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-3.70%	-4.99%	-3.84%	12.99%	13.66%	13.64%
Benchmark ²	-4.13%	-5.65%	-5.32%	8.98%	10.56%	11.89%
Retail ³	-3.39%	-5.19%	-4.51%	12.30%	12.59%	-

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.

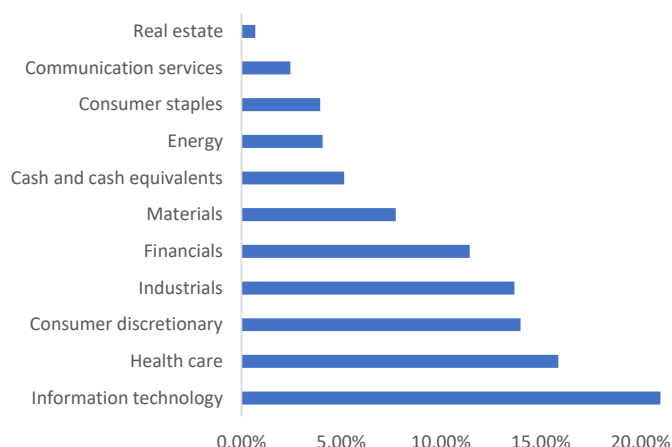
Overview

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	6.12	US	NAM Europe	30.79%	1.70%
Progressive Corp	2.95	US	Royal London	45.12%	1.38%
Amazon Com Inc	2.54	US	WCM	21.01%	-2.92%
Unitedhealth Group Inc Com	2.43	US	Cash & Derivatives	3.08%	n/a
Suncor Energy Inc	2.37	Canada			
Old Dominion Freight Line Inc	2.25	US			
Reliance Steel & Aluminum Co	2.17	US			
Visa Inc	2.12	US			
Anglo American Plc	1.88	UK			
Lithia Motors Inc	1.87	US			

What helped	What Hurt
Suncor Energy	OW Anglo American plc
Progressive Corp	OW Autostore
Eli Lilly & Co	OW HCA Healthcare

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

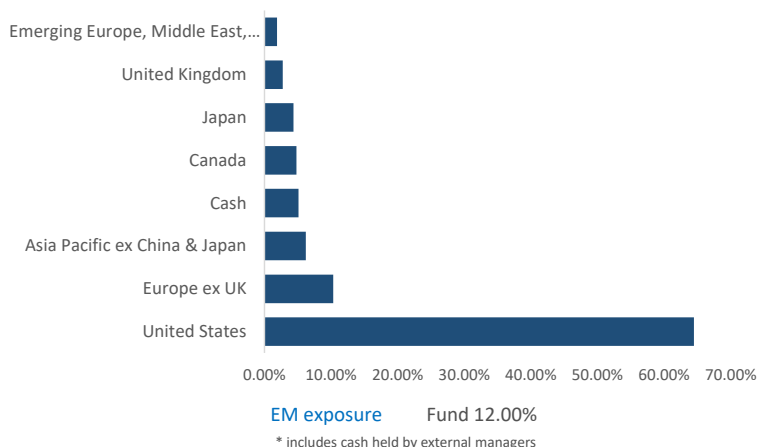
Market Commentary

The 75bps hike during June by the Federal Reserve was a clear indication of how Central bank priorities have clearly shifted from the default of the last decade (encouraging higher prices of financial assets) to addressing the inflationary pressures that have emerged globally over the last 18 months. Whilst some factors driving inflation could potentially be somewhat temporary as a result of supply chain issues or the Ukraine conflict, there is also a recognition that the prior period of ultra loose monetary policy has created a foundation for higher inflation. The performance of sectors over the quarter overall have reflected these concerns, with more cyclical sectors such as Information Technology, Consumer Discretionary and Communication Services (particularly excluding more defensive telecom companies) leading the declines. During June it has also been notable that prior winners such as Materials and Energy have also experienced notable corrections, though Energy still remained the best performing sector over the second quarter. With this increasing pessimism over the growth outlook, more defensive business models are being valued more highly from a relative perspective and reflecting this both Healthcare and Consumer Staples outperformed during both June and the overall quarter.

Fund Commentary

Despite another challenging quarter, the fund returned -4.99% in the second quarter, outperforming the benchmark return of -5.65% by 66 bps. The fund's top individual contributors to performance over the quarter were Suncor Energy, Progressive Corp, Eli Lilly and UnitedHealth Group. Suncor Energy, which is focused on developing the Athabasca oil sands basin in the north of Canada's Alberta province, was the fund's top performer in Q2. Although its share price lost ground in June, it still had a very strong return of 20% over the quarter as oil prices remained above USD 100 per barrel. The property and casualty insurance company Progressive Corporation (held by both Royal London and NAME) advanced 13% over the quarter. The company remains a superior operator in its main business segment – auto insurance - as its pricing expertise and expense advantages help it weather inflation. The main laggards were Anglo American plc, Autostore Holdings and HCA Healthcare. Diversified mining giant Anglo American plc and hospital operator HCA Healthcare both retreated sharply over the quarter – Anglos falling in sympathy with profit taking in the materials sector, while HCA's weakness was attributed to inflationary pressures on labour costs. Faced with staffing shortages caused by the COVID-19 pandemic, hospitals have been forced to boost wages to attract nurses, building staff and other workers. AutoStore Holdings, a Norway-based robotics and software company which builds automated warehouses for e-commerce firms, was also among the top detractors from performance over the quarter. While its recent quarterly results published in May showed that orders grew 32% year-on-year in the March quarter, concerns about slowing warehouse spend from major e-commerce players sent its share price lower. Despite the uncertain macro environment, AutoStore continues to display market leadership in disruptive Cubic Storage technology.

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

Buy / Sell spread 0.07% / 0.07%

Strategy Launch

October 2008

Strategy size

\$215m

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

Contact Us www.nikkoam.co.nz | nzenquiries@nikkoam.com

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