Factsheet 31 July 2022

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

- July saw equity markets rebound following the sharp losses seen in recent months. Equity markets enjoyed their best month of the year, rising more than 5%. The catalyst for this reversal in performance was a sense that weak economic data and a potential peak being reached in near-term inflation could cause the Federal Reserve to slow the pace of monetary tightening.

Fund Highlights

- The fund returned 8.81% for the month, 137bps ahead of the index.
- Positive contributors to fund performance over the month Carlisle Companies, AdaptHealth and Solar Edge Technologies.
- Main detractors included AIA Group, Palomar and Progressive Corp.

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.

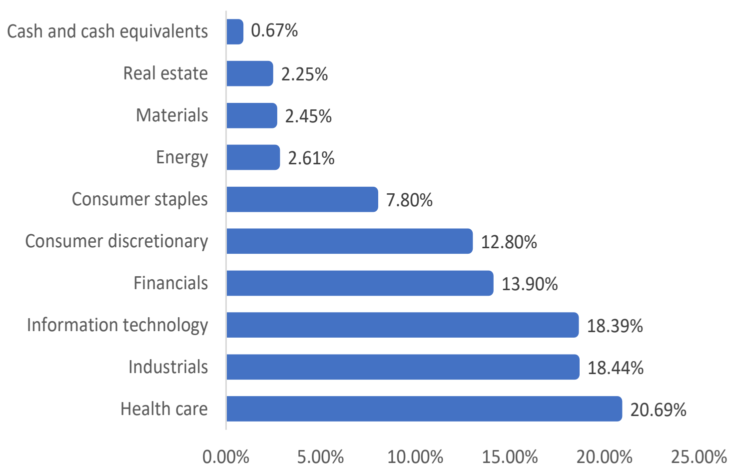
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale[1]	8.81%	0.41%	-12.88%	8.81%	-
Benchmark[2]	7.44%	-2.48%	-10.89%	7.01%	-
Retail[3]	7.03%	-2.60%	-15.35%	6.89%	-

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.[1,2]

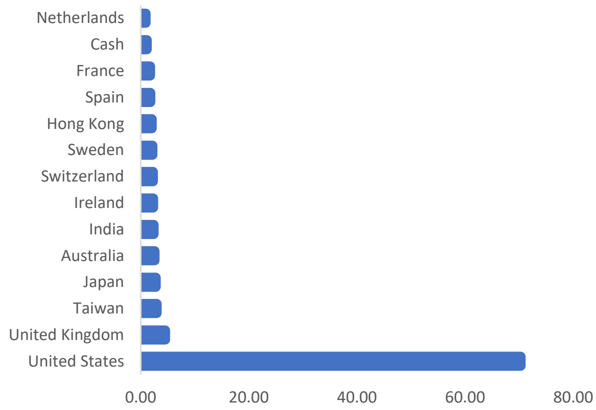
Asset Allocation



Top 10 Holdings[PM1]

	% of Fund	Country
Microsoft Corp	6.37	US
Compass Group	3.77	UK
Danaher Corp	3.36	US
Coca Cola Co	3.20	US
Taiwan Semicon Co	2.98	Taiwan
AdaptHealth	2.90	US
Carlisle Cos Inc	2.81	US
Sony Corp	2.79	Japan
Progressive Corp	2.62	US
Worley Ltd	2.61	AUS

Geographical Allocation



EM exposure Fund 5.35%

Market Commentary

July saw equity markets rebound following the sharp losses seen in recent months. Equity markets enjoyed their best month of the year, rising more than 5%. The catalyst for this reversal in performance was a sense that weak economic data and a potential peak being reached in near-term inflation could cause the Federal Reserve to slow the pace of monetary tightening. Growth outperformed value this month. Weakening economic data served to undermine confidence in earnings estimates for some of those cyclical businesses that had benefited the most from the market rotation seen in Q1. At the same time, lower expected inflation fed through into slightly reduced interest rate expectations. This released some of the valuation multiple pressure faced by growth stocks this year. In terms of the inflation picture and the Fed's response, the economic data remained mixed in July. Commodity prices have corrected fairly sharply in many cases, in sympathy with falling business confidence. It is fair to say, however, that the US consumer has held up relatively well so far – likely underpinned by a solid labour market and relatively low levels of leverage going into whatever economic slowdown we are facing.

Fund Commentary

The fund returned 8.81% for the month, 137bps ahead of the index. Positive contributors to fund performance over the month Carlisle Companies, AdaptHealth and Solar Edge Technologies. Carlisle Companies shares rose following strong quarterly results. Earnings came in above expectations due to a strong operating performance. Importantly, demand remains robust in Construction Materials and management commented that orders are now booking out into 2023. Signs of recovery in aerospace and medical were also encouraging, and the shares could see further upside from capital deployment opportunities. AdaptHealth continued to recover from deeply oversold levels due to increasing confidence that supply chain stress is easing somewhat in CPAP. Certainly, CPAP devices have been competing with consumer electronics for semiconductors in recent months. Now that demand for consumer electronics is starting to cool off, there is greater availability of semis for less cyclical devices, such as CPAP. SolarEdge Technologies, and other stocks related to the renewable energy sector, surged in the last week of July after Senator Joe Manchin and Majority Leader Chuck Schumer announced a deal that would see spending of approximately $369 billion on climate and energy proposals. Main detractors included AIA Group, Palomar and Progressive Corp. AIA Group underperformed in July due to China lockdowns significantly disrupting business in key markets, and a slower business recovery in ASEAN countries despite large, local reopening. As the pace of recovery picks up later in the year, we should see an improvement in new business value. Palomar shares struggled to perform this month in sympathy with the broader insurance sector. Bond yields have been slightly softer in recent weeks as investors speculate that we may be at 'peak' inflation and benign monetary policy has increased. Despite these dynamics, we continue to view Palomar as a high-quality player within the insurance industry. Progressive shares declined in July. Results were reasonable, but the company's rich valuation provided little room for disappointment. Furthermore, investors are concerned about deterioration in credit risk given the high-risk exposure of Progressive's investment portfolio. Despite this, we believe Progressive's superior data analytics and digital distribution platform are key competitive advantages that should drive top-tier margins and returns over time.

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
$253.4m

Compliance

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

Contact Us

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