nikko am
Nikko Asset Management

Factsheet 28 February 2023

NIKKO AM GLOBAL EQUITY HEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Equity Hedged Fund. The Nikko AM Global Equity Hedged Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- Equity markets struggled over February. The MSCI All Countries World Index lost value after the exuberance of January.
- The best performing regions were Europe and the UK – where low starting relative valuations and improving sentiment towards industrials and financials helped to lift sentiment. The US also marginally outperformed, helped by its above average exposure to Information Technology.

Fund Highlights

- The hedged equity fund had a negative return of 2.85% to outperform the benchmark return of -3.21% by 36 bps.
- At the aggregate fund level, February's top contributors to the outperformance were Reliance Steel, Progressive Corp, Microsoft, Steel Dynamics and Old Dominion Freight Line.
- The top detractors were Anglo American, KB Financial Group, Amazon.com, AdaptHealth Corp and Eli Lilly.

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 gross hedged at 139% to NZD.

Objective

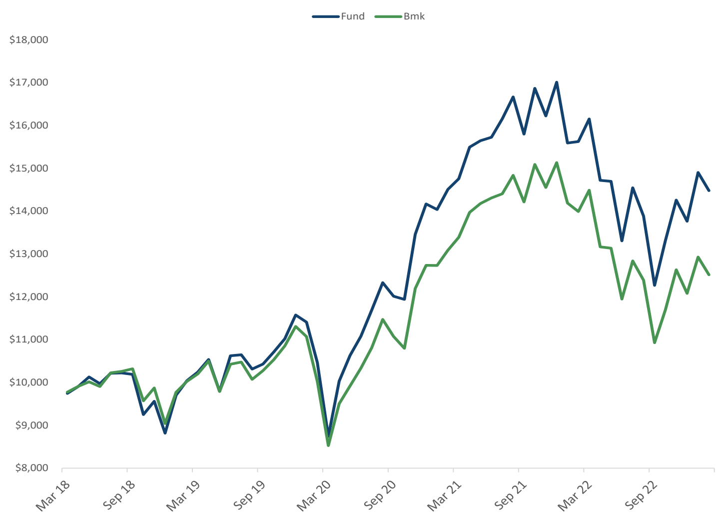
The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

Performance

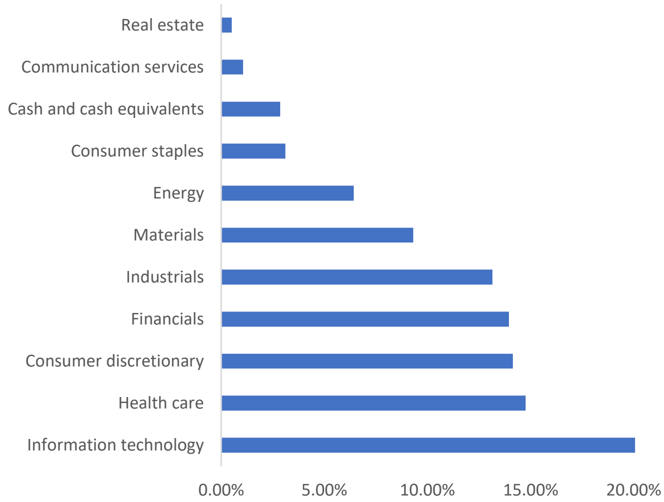
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale[1]	-2.85%	1.55%	-7.33%	11.44%	7.68%	11.15%
Benchmark[2]	-3.21%	-0.92%	-10.56%	7.68%	4.59%	9.16%
Retail[3]	-1.84%	3.56%	-7.96%	9.00%	6.07%	9.54%

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.

Five Year Cumulative Performance (gross), $10,000 invested [1,2]



Asset Allocation



Top 10 Holdings	% of Fund	Country
Microsoft Corp	5.14	United States
Amazon Com Inc	3.06	United States
Progressive Corp	2.84	United States
Unitedhealth Group Inc	2.78	United States
Visa Inc	2.76	United States
Reliance Steel & Aluminum	2.42	United States
Steel Dynamics Inc	2.40	United States
Constellation Software Com	2.12	Canada
Old Dominion Freight Line Inc	2.11	United States
Shell Plc	1.95	United Kingdom

Manager	Allocation	Active Return
NAM Europe & NZD Cash	29.44%	2.61%
Royal London	46.95%	1.13%
WCM	21.49%	1.52%
Cash & Derivatives	2.12%	n/a

Based on unhedged performance

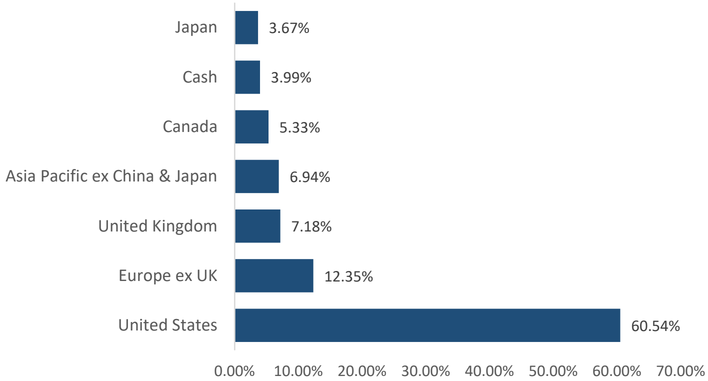
What helped		What Hurt	
Reliance Steel	o/w	Anglo American	o/w
Progressive Corp	o/w	KB Financial Group	o/w
Microsoft	o/w	Amazon	o/w

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

Market Commentary

Equity markets struggled over February. The MSCI All Countries World Index lost value (in local currency), after the exuberance of January. Strong economic data was seen as bad news for equity markets during the month. In the US and Europe, inflation readings have continued to run at elevated levels – with the Federal Reserve's preferred inflation gauge (the PCE deflator) rising 0.6% month-on-month – its biggest gain since 2021. Bond yields pushed higher as a result. Interestingly, however, the spike in yields has not fed through into defensive sectors leading the market. Instead, Information Technology, Financials and Industrials continued to trade well – suggesting that investors do not see the current tightening in financial conditions as a lasting phenomenon. Defensives have continued to underperform in February, with Healthcare, Real Estate and Utilities all struggling. The best performing regions were Europe and the UK – where low starting relative valuations and improving sentiment towards industrials and financials helped to lift sentiment. The US also marginally outperformed, helped by its above average exposure to Information Technology.

Geographical allocation



EM exposure Fund 4.76%

* includes cash held by external managers

Fund Commentary

The fund has a negative return of 2.85% to outperform the benchmark return of -3.21% by 36 bps. At the aggregate fund level, February's top contributors to the outperformance were Reliance Steel, Progressive Corp, Microsoft, Steel Dynamics and Old Dominion Freight Line. The top detractors were Anglo American, KB Financial Group, Amazon.com, AdaptHealth Corp and Eli Lilly. As Royal London currently makes up more than 45% of the fund, the performance of its holdings generally dominates the top contributors and detractors. While the top 5 contributors to February's performance were all names held by Royal London, NAME also holds Progressive Corp and Microsoft, while WCM also holds Microsoft and Old Dominion Freight Line. The materials sector performed poorly in February, but the two steel companies Steel Dynamics (9.04%) and Reliance Steel (13.66%) both reached new all-time highs over the month and even outperformed the VanEck Steel ETF (which had a return of 1.29%). The diversified mining company Anglo American however struggled in line with the broad sector and was the fund's top detractor from performance with a return of -14.65%. Insurance companies had mixed performance, but the property and casualty business Progressive Corp shined with a return of 9.79% over the month. The share price was helped by a positive reaction to the release of the company's January results which showed strong growth in policy numbers. On top of this, rising bond yields offered a tailwind in February.

Key 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%.

Exclusion 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	Strategy size
October 2008	$96.2M

Compliance

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

Contact Us

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