

Factsheet 30 April 2023

# 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

- April saw relief at the prospect of an imminent end to interest rate hikes give way to concerns over the coming economic impact of the hikes that have already been implemented (in conjunction with the damaging impacts of events in the US regional banking sector).
- Defensive sectors fared best in April - Consumer Staples, Healthcare and Utilities all outperforming a rising market. Energy and Financials also enjoyed some respite last month, having sold off aggressively earlier in the year. The worst performing sectors were all cyclical, with Materials, Information Technology, Consumer Discretionary and Industrials all failing to keep pace with the market.

## Fund Highlights

- The fund had a reasonable quarter with a return of 3.89% to outperform the benchmark of 2.75%.
- Of the underlying managers, NAME (4.87%) and Royal London (3.51%) both outperformed while WCM's return of 2.11% was marginally behind the Index return.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	3.89%	7.24%	9.78%	14.87%	13.10%	13.85%
Benchmark <sup>2</sup>	2.75%	6.27%	7.25%	12.00%	9.89%	11.71%
Retail <sup>3</sup>	4.67%	7.99%	6.49%	12.89%	11.92%	12.56%

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 <sup>1,2</sup>



## 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.

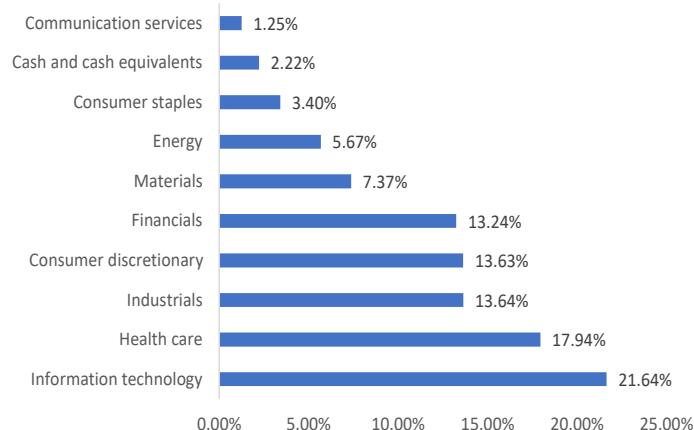
## Overview

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	6.53	United States	NAM Europe & NZD Cash	29.01%	3.10%
Amazon Com Inc	3.21	United States	Royal London	48.66%	0.76%
Unitedhealth Group Inc	3.11	United States	WCM	21.45%	-0.64%
Visa Inc	2.81	United States	Cash & Derivatives	0.88%	n/a
Progressive Corp	2.44	United States			
Constellation Software	2.37	Canada			
HCA Healthcare Inc	2.22	United States			
Old Dominion Freight Line Inc	2.02	United States			
Lilly (Eli) & Co	1.99	United States			
Steel Dynamics Inc	1.95	United States			

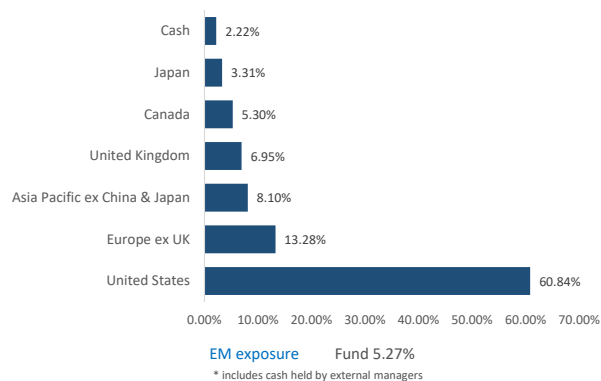
What helped	What Hurt
Tesla, Inc.	N/H Steel Dynamics, Inc. O/W
Eli Lilly and Company	O/W Progressive Corporation O/W
HCA Healthcare Inc	O/W Old Dominion Freight Line O/W

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

## Market Commentary

Although global equity markets built on gains earlier in the year, April saw relief at the prospect of an imminent end to interest rate hikes give way to concerns over the coming economic impact of the hikes that have already been implemented (in conjunction with the damaging impacts of events in the US regional banking sector). Defensive sectors fared best in April with Consumer Staples, Healthcare and Utilities all outperforming a rising market. Energy and Financials also enjoyed some respite last month, having sold off aggressively earlier in the year. The worst performing sectors were all cyclicals, with Materials, Information Technology, Consumer Discretionary and Industrials all failing to keep pace with the market. Economic data in the US has started to cool more appreciably this month, especially in notable areas of recent strength. Job openings are falling, and average hourly earnings are increasing less quickly than last year. Consumer confidence and retail sales have also tempered somewhat (as accumulated excess savings have been worked down) and management teams are generally feeling less confident about the future if gauges such as the NFIB Small Business Confidence Indicator are to be believed. Regionally, the UK went from being March's worst performer to April's strongest performer – helped this month by its relatively heavy exposure to financials and energy. Europe ex UK also outperformed. GEM Asia was the weakest large region, with China weak once again, as investors continued to fret over the strength of recovery in domestic demand, as geopolitical tensions threaten export-led growth.

## Geographical allocation



## Fund Commentary

The fund returned 3.89% in April, to outperform the Index return of 2.75% by 113 basis points (bps). Of the underlying managers, NAME (4.87%) and Royal London (3.51%) both outperformed while WCM's return of 2.11% was marginally behind the Index return. Tesla Inc (not held) was the top contributor to the fund's outperformance, as the fund avoided Tesla's negative return of -19% over the month. The other top contributors were a mix of healthcare, software, and insurance names. Shares of pharmaceutical giant Eli Lilly made double digit gains, despite first-quarter earnings which missed expectations, but the company raised its full-year guidance. Eli Lilly also reported positive data on its weight loss drug tirzepatide. Meanwhile the world's largest for-profit hospital operator, HCA Healthcare, reported better-than-expected first quarter results and raised its forecasts for 2023. The company said that it expects a recovery in surgical procedures to persist through the year as staffing is almost back to pre-pandemic levels and allowing them to increase bed and surgical capacity. The US-based steel producer Steel Dynamics fell almost 7% over the month after mixed first-quarter 2023 results. The company remains confident that market conditions are in place for solid domestic steel consumption, with backlogs that are still high by historical standards. Chairman and CEO Mark Millet said that demand for lower-carbon emission, US-produced steel products coupled with lower imports will support steel pricing, and that the automotive, non-residential construction, and energy sectors will remain solid steel consumers this year. Property and casualty insurer Progressive Corporation also re-traced from its all-time high following lacklustre monthly numbers. Costs were higher largely due to forthcoming tort reform in Florida which meant there was an acceleration in claims before tort reform gets passed into law. Ultimately, this is a positive as it will disincentivise lawyers from pursuing certain claims.

## Key Facts

**Distributions** Generally does not distribute

**Hedging** Any foreign currency exposure is unhedged

**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** October 2008  
**Strategy size** \$213.8m

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

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