FACTSHEET 31 MAY 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 Multi-Manager Hedged Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- Equity markets continued to grind higher in May, led once again by the sectors that drove gains seen in Q1. Market leadership has continued to narrow, with the technology sector powering ahead as excitement built around Artificial Intelligence and its potential applications. Mega cap stocks once again significantly outperformed small and midsize peers during the month as a result.

Fund Highlights

- Royal London was once again the top contributor with a return of 3.87%, followed by WCM with 3.33% and NAME with a disappointing 0.01%.
- The top five contributors to the fund's outperformance in May were driven by the AI theme – Amazon, Microsoft, Datadog and Taiwan Semiconductor (TSMC).
- Key detractors from performance were a mix of overweight positions to cyclical and defensive names that struggled, e.g., Steel Dynamics and HCA Healthcare, and underweight positions to names that outperformed, e.g., Tesla, Apple and NVIDIA.

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.

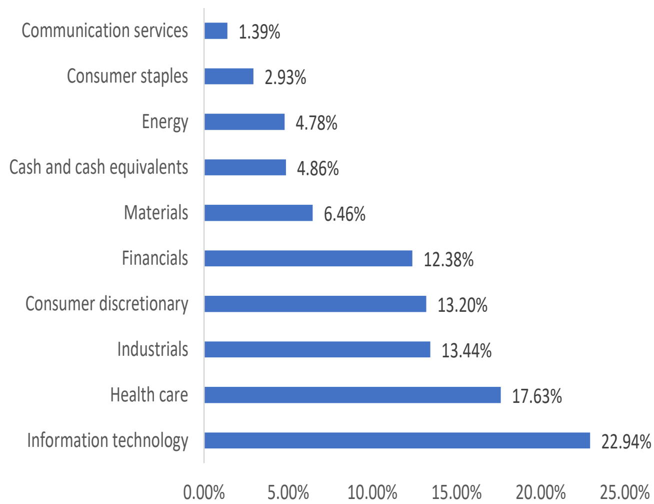
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale[1]	-0.31%	2.73%	1.20%	11.85%	7.99%	10.81%
Benchmark[2]	-1.03%	2.54%	-2.31%	8.97%	5.08%	8.63%
Retail[3]	1.33%	2.98%	-0.52%	10.65%	6.63%	9.08%

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



nikko am
Nikko Asset Management

Top 10 Holdings	% of Fund	Country
Microsoft Corp	6.91	United States
Amazon Com Inc	3.69	United States
Unitedhealth Group Inc	3.36	United States
Visa Inc	2.77	United States
Constellation Software Com	2.39	Canada
Progressive Corp	2.14	United States
Lilly (Eli) & Co Usd	2.09	United States
Old Dominion Freight Line Inc	2.00	United States
Hca Healthcare Inc	1.98	United States
Steel Dynamics Inc	1.76	United States

Manager	Allocation	Active Return
NAM Europe & NZD Cash	23.11%	-2.31%
Royal London	47.80%	1.92%
WCM	25.98%	1.38%
Cash & Derivatives	3.11%	n/a

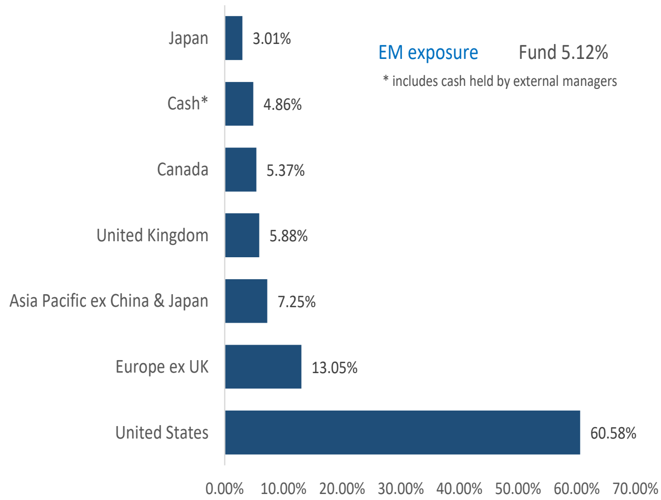
Based on unhedged performance

What helped		What Hurt	
Amazon.com	O/W	Steel Dynamics Inc.	O/W
Microsoft Corporation	O/W	Tesla Inc.	U/W
Datadog Inc.	O/W	Apple Inc.	U/W

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

Market Commentary

Equity markets continued to grind higher in May. Market leadership has continued to narrow, with the technology sector powering ahead as excitement built around Artificial Intelligence and its potential applications. Almost 250 out of the 343 stocks within the MSCI ACWI Information Technology Index outperformed the broader ACWI benchmark. Many of these companies will have no discernible benefit from any boom in investment spending on the infrastructure needed for AI to really take off. With global economic growth looking weaker, economic cyclicals underperformed in May (particularly Energy and Materials) and Information Technology and Communication Services returned to the top of the sector performance charts. The power of Big Tech saw the US be one of the month's strongest regions, but top of the pile was Japan. The country is seeing an end to years of disinflation and real wages are increasing. With evidence beginning to emerge of better corporate governance, and a relatively low starting valuation, this continues to attract more investors to the country. Recent data has also confirmed that Europe's largest economy, Germany, is in recession.



Fund Commentary

Royal London was once again the top contributor with a return of 3.87%, followed by WCM with 3.33% and NAME with a disappointing 0.01%. We anticipated a more challenging environment for NAME and reduced their allocation (from 29% to 25%) during the first week of May, in favour of a higher allocation to WCM (from 21% to 25%). In terms of individual winners and losers, four of the top five contributors to the Fund's outperformance in May were driven by the AI theme – Amazon, Microsoft, Datadog and Taiwan Semiconductor (TSMC). NVIDIA's results and forward guidance was the primary catalyst which stoked a boom in all things AI-related. In terms of the month's key detractors from performance, these were a mix of overweight positions to cyclical and defensive names that struggled, e.g., Steel Dynamics and HCA Healthcare, and underweight positions to names that outperformed, e.g., Tesla, Apple and NVIDIA. While the Fund does own Apple and NVIDIA, both are less-than-benchmark weights, which explains why they detracted from returns, despite individual outperformance over the month.

Since the outbreak of COVID-19, global equity markets have seen both bullish and bearish extremes, coupled with style rotation between value vs. growth. The fund has managed to navigate through this challenging period quite well, with its 3-year return of 13.80% p.a. a comfortable 251 bps p.a. ahead of the Benchmark's 3-year return of 11.27% p.a. Royal London's style neutral strategy continues to drive the lion's share of the recent outperformance with a 1-year return of 18.11% (858 bps ahead of the Benchmark return). WCM's Quality Global Growth strategy is also performing ahead of expectations with a 1-year return of 13.91% (438 bps ahead of the Benchmark return). NAME's Future Quality strategy however continues to find the equity markets challenging in early 2023, with their 1-year return of 7.10% placing them 244 bps behind the Benchmark return. Their underperformance is driven by a combination of underexposure to Big Tech and AI, no exposure to a small group of outperforming European luxury stocks, no exposure to "obesity/diabetes" stocks performing strongly and poor stock selection in midcap names across various sectors.

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	$96m

Compliance

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

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