

Factsheet 31 July 2023

NIKKO AM GLOBAL SHARES UNHEDGED STRATEGY

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

Market Overview

- Equity markets enjoyed another positive month in July, with the MSCI ACWI unhedged rising 2.1% (in NZD terms).
- The US economy has continued to remain stronger than most expected in the face of significant interest rate hikes.
- July saw some improvement in the economic picture in other regions. Global Emerging Markets Asia, GEM-LA, GEM - EMEA and Australasia all outperformed.
- The best performing sectors this month were Energy and Materials.

Fund Highlights

- The fund underperformed the benchmark over the month.
- Positive attributors – Schlumberger N.V, Worley Limited and Champion X Corporation.
- Negative attributors – Hexagon AB Class B shares, Masimo Corporation and Compass Group PLC.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	-0.38%	2.67%	5.85%	10.76%	11.99%
Benchmark ²	2.05%	7.69%	13.76%	12.95%	10.20%
Retail ³	0.46%	3.11%	6.28%	9.43%	10.90%
KiwiSaver ³	0.46%	3.12%	6.33%	9.53%	11.31%

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.

Since Inception Cumulative Performance (gross), \$10,000 invested¹



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.

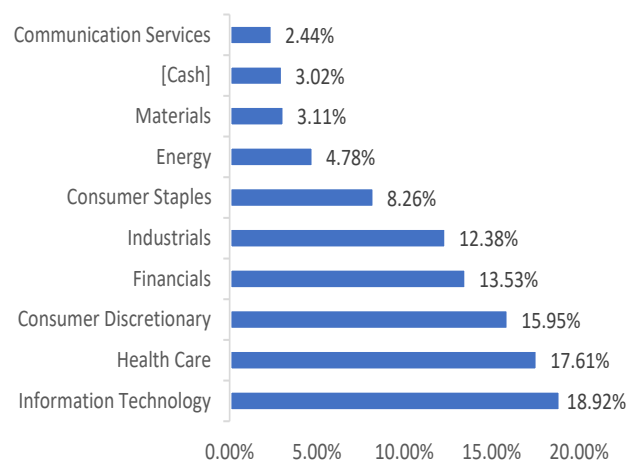
Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth.

Objective

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

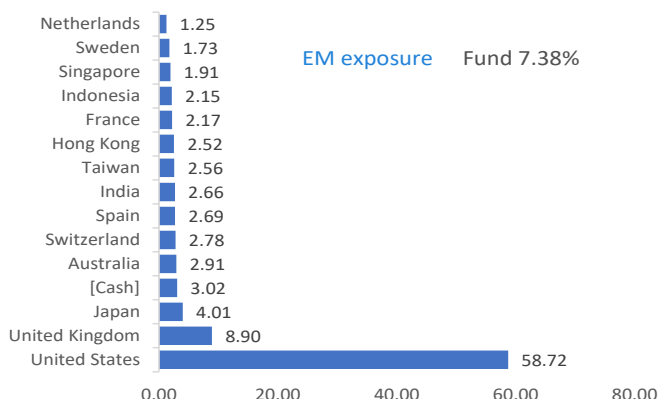
Sector Allocation



Top 10 Holdings

Security name	% of Fund	Country
Microsoft Corp	6.78%	United States
Accenture	3.35%	Ireland
Schlumberger	3.18%	United States
Linde	3.10%	Ireland
Haleon	3.00%	United Kingdom
Worley	2.89%	Australia
Kbr	2.82%	United States
Compass Group	2.80%	United Kingdom
Nestle SA	2.76%	Switzerland
Amadeus IT	2.68%	Spain

Geographical Allocation



Market Commentary

Equity markets enjoyed another positive month in July, with the MSCI ACWI rising 2.1% (in NZD terms), as hopes increased that the Federal Reserve could buck historical precedent and deliver a soft landing for the US economy. The US economy has continued to remain stronger than most expected in the face of significant interest rate hikes (with another 25bp hike delivered last month) and many market strategists have abandoned their calls for a recession during 2023, as a result. At some stage, history suggests that this tightening will lead to a slowdown in economic activity but it increasingly appears that Government-led spending – such as that resulting from the Inflation Reduction Act and the CHIPS Act – will delay any marked deceleration into 2024 at the earliest. The Peoples Bank of China also cut a number of interest rates this month, in an attempt to encourage greater bank lending. The best performing sectors this month were Energy and Materials, as commodity prices generally firmed (including oil, copper and grains). The recovery in basic resources was also evident in regional performance in July. GEM Asia, GEM-LA, GEM - EMEA and Australasia all outperformed, whilst the US and Japan failed to keep pace with the market, as did Europe, ex UK.

Fund Commentary

This year, we have been on the wrong side of the AI boom, and we have had a couple of stock specific challenges too. We have continued to upgrade the quality of the portfolio with the threat posed to future US economic growth in mind. Our recent exits of industrials such as Deere & Company, Carlisle Companies Incorporated and AdaptHealth Corporation should all increase the economic and financial resilience of the portfolio. We do think that greater stock selectivity will emerge as we move towards year end (and beyond). When this occurs, we remain confident that the portfolio remains well placed to deliver strong investment returns.

Positives: Both Schlumberger N.V. and Champion X Corporation performed well in July as investors anticipated strong results which both companies duly delivered towards the end of the month. A stronger Brent crude oil price also helped both stocks. Worley Limited performed well in July as investors are anticipating strong results in August and the stock rallied in line with other energy facing services stocks.

Negatives: Hexagon AB Class B shares declined following a short report which alleged that organic growth had been exaggerated. We are not convinced that organic growth has been exaggerated because the company is compliant with accounting rules and has been open about the fact that a reasonable proportion of growth is acquisition related. The stock looks oversold because of the short report. Masimo Corporation fell sharply after issuing a profit warning at the start of the month – as demand undershot expectations in both its Healthcare and Consumer segments, the company was too slow to react. Thankfully, almost all the softness in their healthcare business was attributable to short-term factors (such as component and labour shortages), and management confirmed that incoming order growth was still running in the low double digit percentage rates. Compass Group PLC struggled to perform in July after Q2 results illustrated slowing top-line growth but more limited margin progression, as a result of the stubbornly high inflation backdrop. Despite these near-term dynamics, the franchise quality is high, and Compass remains a core holding in the portfolio.

Key Fund Facts

Distributions: Generally does not distribute

Exclusions: Controversial weapons. Tobacco manufacturers.

Restrictions Adult entertainment, 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
 KiwiSaver 1.15% refer to PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07%/0.07%	July 2017	\$585.5m

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

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