

Factsheet 31 August 2023

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

- Equity markets had a relatively quiet month in August, with the MSCI ACWI rising 1.6% (in NZD terms) - consolidating gains made earlier in the year.
- Due to foreign exchange market volatility at the start of the month, there was a divergence in the hedged fund performance versus the hedged benchmark performance in July that was offset in August.
- This month's batch of economic data suggested more firmly than in recent months, that further monetary tightening may not be necessary, with the US economy continuing to cool gradually.
- The weakest performance was seen in Emerging Markets – with GEM Asia and Latin America comfortably lagging the market.
- Energy was the best performing sector in the market this month – rising more than 5%.

Fund Highlights

- The fund performance for the month was -2.59%, behind its benchmark of -2.05%.
- Positive attributors – Samsonite International S.A., Encompass Health Corporation and Progressive Corporation.
- Negative attributors – Palomar Holdings, Inc., Box, Inc. and Sony Group Corporation.

Performance

| | One month | Three months | One year | Three years (p.a) | Five years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|
| Wholesale ¹ | -2.59% | 4.50% | 5.71% | 4.44% | 6.96% |
| Benchmark ² | -2.05% | 6.55% | 10.37% | 6.03% | 5.91% |
| Retail ³ | -0.61% | 3.93% | 4.26% | 3.31% | |

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), 100% 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}



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.

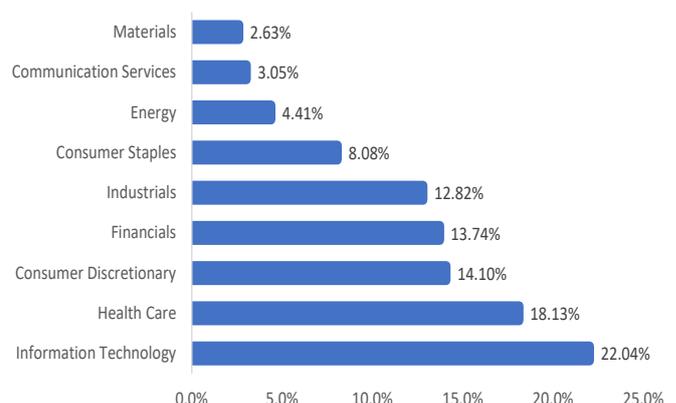
Overview

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 100% to NZD return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

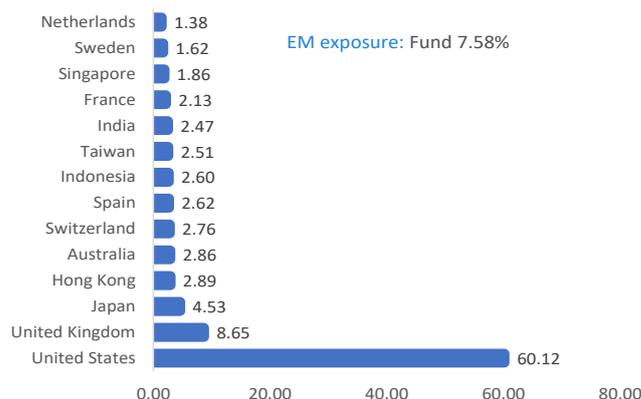
Sector Allocation



Top 10 Holdings

| Security | % of Fund | Country |
|--------------|-----------|----------------|
| Microsoft | 6.70 | United States |
| Accenture | 3.48 | Ireland |
| Netflix | 3.02 | United States |
| Haleon | 2.88 | United Kingdom |
| Samsonite | 2.87 | Luxembourg |
| KBR | 2.86 | United States |
| Worley | 2.84 | Australia |
| Schlumberger | 2.76 | United States |
| Compass | 2.75 | United Kingdom |
| Nestle | 2.74 | Switzerland |

Geographical Allocation



Market Commentary

Equity markets had a relatively quiet month in August, with the MSCI ACWI rising 1.6% (in NZD terms) - consolidating gains made earlier in the year. The month saw a real two-way pull, between deteriorating economic data and hopes that this would soon lead to a more supportive monetary policy backdrop. This month’s batch of economic data suggested more firmly than in recent months, that further monetary tightening may not be necessary, with the US economy continuing to cool gradually. Gauges of economic performance in Europe have also continued to weaken with the regions composite PMI firmly in contraction at 46.7, industrial production falling and consumer confidence weakening. The oil price has, however, bucked this generally negative tone – rising towards USD90 per barrel by the end of the month (having been as low as USD70 per barrel as recently as June). Energy was the best performing sector in the market this month – rising more than 5%. In a further sign of this optimism, the US outperformed the market in August. Japan also performed relatively well. The weakest performance was seen in Emerging Markets – with GEM Asia and Latin America comfortably lagging the market. Europe and the UK also underperformed somewhat.

Fund Commentary

We continue to focus our positioning on real world ‘needs’ rather than ‘wants’. Energy security remains at the forefront of this and this month’s sparring between the BRICS economies and the US continues to suggest to us that spending on energy infrastructure will remain a real imperative for many countries in the coming years. Our investments in this area (including Worley Limited, Schlumberger Limited and ChampionX Corporation) have enjoyed improving relative performance in recent months and we expect this to continue in the future.

Positives: Samsonite International S.A. outperformed on the back of a strong set of quarterly numbers, with sales in all regions returning to pre-Covid levels and significantly stronger margins as a result of the new expense structure. Management commentary on continued global travel demand was very encouraging. **Encompass Health Corporation** rose strongly at the start of the month, after releasing strong quarterly earnings. Patient volume growth is recovering more quickly than expected, following the disruption caused by COVID-19. **Progressive Corporation** was strong after issuing a reassuring trading update during the month. In particular, premium growth remained strong (at 21%) and the combined ratio came in lower than expected in its auto insurance business, after seeing some short-term pressure the previous month.

Negatives: Palomar Holdings, Inc. underperformed in August as the company continues to face reinsurance headwinds. Despite this, the company should be able to successfully manage its way through these issues due to its sensible approach to underwriting, unique earthquake-focused book, and growth opportunities in the earthquake insurance market. **Box, Inc.** shares declined after cutting its full-year revenue forecast in its quarterly earnings release. The challenging macroeconomic environment has been affecting Box customers’ IT budgets, hampering user growth and revenue retention for the company. The Japanese market had been performing well versus other markets due to a combination of a more stable currency (as greater normalization of policy was expected) and a greater push amongst market participants for better capital allocation amongst listed companies. However, over the last few months, we have seen a combination of profit taking and renewed weakness in the Yen, and this has been the major factor behind the relative weakness of **Sony Group Corporation**.

Key Fund Facts

Distributions: Generally does not distribute.

Hedging Any foreign currency exposure is gross hedged at 100% to NZD. The permitted operational hedging range is 95% to 105%

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

Buy/Sell spread 0.07%/0.07%

Strategy size \$312.7m **Strategy launch** July 2018

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

Contact Us www.nikkoam.co.nz | zenquiries@nikkoam.com

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor’s objectives, financial situation or needs and is not intended to constitute financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.