

Nikko AM Global Equity Multi-Manager Unhedged Strategy

Monthly Update 31 January 2024

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

- Global equities made a strong start to the new calendar year - the MSCI All Countries World Index returned 3.46% (NZD, unhedged) in January.
- Developed markets outperformed, with Japan up 7.6% (NZD, unhedged)
- Emerging Markets (EM) struggled with the broad MSCI Emerging Markets Index declining 1.9% (NZD, unhedged).
- Information technology and communication services sectors outperformed, while materials and consumer discretionary were the worst performing sectors.

Fund Highlights

- The fund returned 6.17% for the month, ahead of its benchmark return of 3.46%.
- It was an exceptionally strong month, as all three underlying managers outperformed the benchmark.
- The fund's top contributors were Tesla, Progressive and HCA Healthcare.
- Key detractors from performance were Lithia Motors, HDFC Bank and Thor Industries.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	6.17%	11.28%	28.17%	14.87%	17.64%	14.28%
Benchmark²	3.46%	8.81%	20.42%	11.84%	12.83%	11.41%
Retail³	7.33%	12.76%	28.92%	13.46%	16.39%	13.12%

1. Returns are before tax and before the deduction of fees and including tax credits (if any). 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.

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 Portfolio Manager, Alan Clarke.

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.

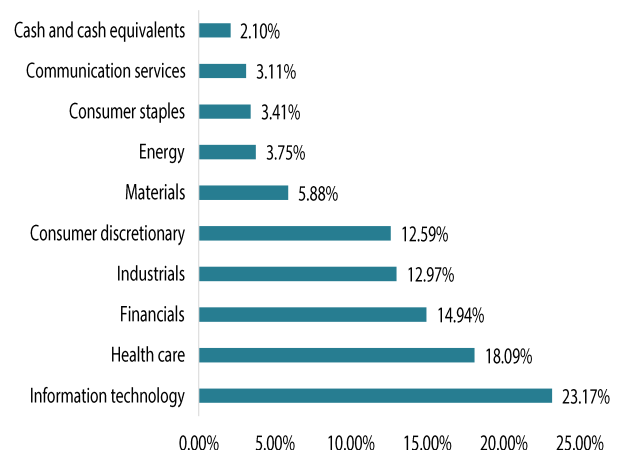
Objective

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

Five Year Cumulative Performance, \$10,000 invested^{1,2}



Asset Allocation



Top 10 Holdings	% of Fund	Country
Microsoft	6.66	United States
UnitedHealth	3.22	United States
Nvidia	3.20	United States
Amazon	3.04	United States
Progressive	2.10	United States
Visa	2.09	United States
HCA Healthcare	1.93	United States
Constellation Software	1.85	Canada
Steel Dynamics	1.82	United States
Safran	1.74	France

Manager	Allocation	Active Return
NAM Europe & NZD Cash	24.75%	3.45%
Royal London	47.07%	2.39%
WCM	27.27%	2.52%
Cash & Derivatives	0.91%	n/a

Based on unhedged performance

What helped		What hurt	
Tesla	NH	Lithia Motors	O/W
Progressive	O/W	HDFC Bank	O/W
HCA Healthcare	O/W	Thor Industries	O/W

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

Market Commentary

Global equities made a strong start to the new calendar year - the MSCI All Countries World Index returned 3.46% (NZD, unhedged) in January. Developed markets outperformed, with Japan up 7.6% (NZD, unhedged) among the top performing major equity markets. Emerging Markets (EM) struggled however, with the broad MSCI Emerging Markets Index declining 1.9% (NZD, unhedged). Chinese equities extended their streak of underperformance despite several stimulus measures by the People's Bank of China. India was one of the few positive exceptions among EM, recording a gain of 5.4% (NZD, unhedged).

In January, the Information Technology and Communication Services sectors outperformed, with mega-cap technology stocks delivering particularly strong performance during the month. They were followed by the Healthcare and Financial sectors, while Materials and Consumer Discretionary were the worst performing sectors. From a style perspective, "quality" and "growth" both outperformed, while "value" underperformed.

Fund Commentary

In January, the Fund delivered a return of 6.17% (gross of fees), to outperform the benchmark return of 3.46% by a significant margin of 271 basis points (bps). It was an exceptionally strong month, as all three underlying managers - WCM (5.98%), Royal London (5.85%), and NAME (5.43%), outperformed significantly, each surpassing the benchmark by a substantial margin.

Tesla, Progressive, HCA Healthcare, Constellation Software, and Nvidia were the primary contributors to the fund's outperformance. Apart from Tesla, which experienced poor performance in January and is not held by the fund, the other four names are all overweight positions and demonstrated strong performance over the month. The American insurance company Progressive has been a perennial top performer and posted strong monthly results in December, which exhibited the lowest incurred claims frequency in at least 20 years due to underwriting actions, mix shift and mild weather. In the Information Technology sector Nvidia was among the top performers. As the leading provider of hardware for various AI solutions deployed by other technology companies, Nvidia is a prime beneficiary of this strong wave of adoption – its top four customers account for 40% of revenues. Microsoft (15%) and Meta Platforms (13%) make up the lion's share followed by Amazon (6.2%) and Alphabet (5.8%).

The fund's key detractors from performance in January were Lithia Motors, HDFC Bank and Thor Industries. HDFC Bank came under pressure following disappointing quarterly results. The Indian bank and its peers have seen weaker deposit growth which has led the bank to raise savings rates to attract further deposits, thereby reducing their net interest margins and profitability for the next few quarters. The moat trajectory of ICICI is boosted by its technology leadership in mobile banking, which is both enhancing the customer experience and enabling more cross selling.

Key Fund Facts

Estimated annual fund charges (incl. GST)		Distributions: Generally does not distribute	Strategy Launch: October 2008
Wholesale:	Negotiated outside of the unit price.	Exclusions: Any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009. Investment prohibited in tobacco manufacturers	Strategy size: \$278.4m
Retail:	1.42%, refer to PDS for more details.		Buy / Sell spread: 0.07%/0.07%
Hedging:	Any foreign currency exposure in unhedged.		

Compliance

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

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Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

Geographical allocation

