

Nikko AM Global Shares Unhedged Strategy

Monthly Update 30 April 2024

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

- A cold wind swept through markets over April with both equity and fixed income markets suffering falls.
- Stubborn US inflation data and a strong first quarter GDP print fuelled market fears that central banks will not ease monetary policy as quickly as previously hoped.
- The eurozone's PMI (purchasing managers' index) rose to 51.4 in April, significantly above the December recessionary lows, while the UK's composite PMI rose to an expansive 54.
- Japanese equities gave up some of the gains that they had made over the last six months.

Fund Highlights

- The fund posted a negative return for the month, lagging its benchmark.
- Key contributors for the month were DBS Group Holdings Ltd. and HDFC Bank Limited, Amphenol Corporation Class A and Encompass Health Corporation.
- Key detractors were Schlumberger Limited (SLB), Netflix, Inc. and Meta Platforms Inc. Class A.

Performance

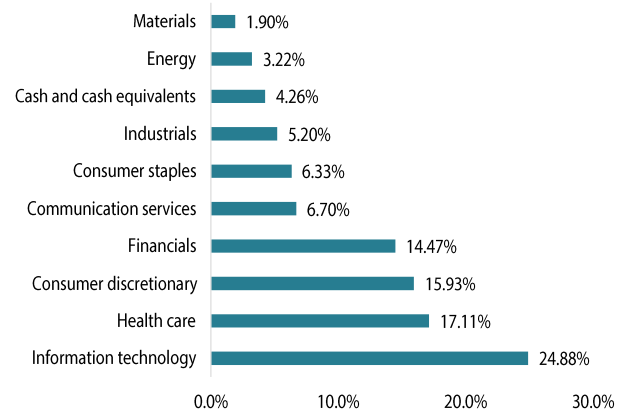
	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-3.50%	10.00%	19.81%	8.70%	13.56%	
Benchmark²	-2.25%	8.20%	22.60%	11.19%	12.09%	
Retail³	-2.99%	8.47%	18.84%	7.31%	12.33%	
KiwiSaver³	-3.01%	8.47%	18.88%	7.36%	12.55%	

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.

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



Sector Allocation (Includes cash in NZ PIE)



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.

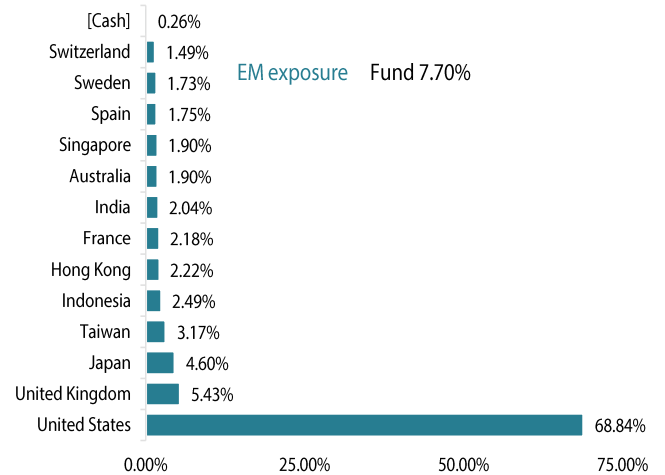
Objective

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

Top 10 Holdings

	% of Fund	Country
Microsoft	6.41%	United States
Nvidia	5.42%	United States
Amazon	3.79%	United States
Facebook	3.39%	United States
Netflix	3.32%	United States
Taiwan Semicon Manufacturing	3.04%	Taiwan
Broadcom	2.86%	United States
Abbott Labs	2.68%	United States
Encompass Health	2.66%	United States
Compass	2.63%	United Kingdom

Geographical Allocation (Includes cash in NZ PIE)



Market Commentary

A cold wind swept through markets over April with both equity and fixed income markets suffering falls. A combination of stubborn US inflation data and a strong first quarter GDP print fuelled market fears that central banks will not ease monetary policy as quickly as previously hoped. Developed market equities fell 3.7%* in April signalling a rotation into the under owned and perceived undervalued. A full reversal of first quarter (Q1 24) is in full swing. A resilient economic environment and further tit for tat escalation in the Middle East boosted commodity prices, which in turn, along with lower interest rate sensitivity supported many of the value segments of the equity market, which outperformed growth on a relative basis. The most obvious beneficiary of this was Chinese & Hong Kong listed equities, which both halted their long-term downward trajectory, the latter returning almost 4.7%*.

In April, small caps ended the month down over 5%* and REITS down over 6%*, both significantly behind other asset class returns. The eurozone's PMI (purchasing managers' index) rose to 51.4 in April, significantly above the December recessionary lows, while the UK's composite PMI rose to an expansive 54. Improved growth prospects and inflation dynamics in the region were able to partially compensate for the headwinds of higher for longer interest rates and geopolitical risks, with the UK markets rising 1.9%* and the European Indices falling just below 3%*.

Japanese equities gave up some of the gains that they had made over the last six months. Widening interest rate differentials between Japan and other developed market countries put downward pressure on the yen and increased investor concerns about the risk of imported inflation weakening domestic demand. The US markets fell over 4%* as valuations came under pressure from rising bond yields. The economic backdrop remains supportive to corporate earnings and the first quarter earnings season has seen companies broadly beat expectations. However, the scale of gains in the first quarter has meant there is little room for error with several companies posting excellent results only for their shares to fall heavily on conservative management guidance.

*In US dollar terms

Fund Commentary

Contributors: DBS Group Holdings Ltd. and HDFC Bank Limited outperformed in April on the back of a market rotation into banks. Commentary from the Federal Reserve indicated that interest rates may need to stay higher for longer to tackle persistent inflation and bond yields rallied on the back of this. On top of this, HDFC published results with solid quarterly numbers that provided reassurance to concerned investors. **Amphenol Corporation Class A** outperformed after the company delivered quarterly numbers which beat analyst expectations. The beat was driven by strength in AI-related demand. **Encompass Health Corporation** delivered revenue ahead of consensus which led to a 10% beat at the EBITDA level. The margin uptick reflected better utilization as end markets resumed their normalization after the COVID-19 hiatus.

Detractors: Schlumberger Limited (SLB) shares struggled to perform in April after the company took the market by surprise with an announcement that it would acquire Champion X Corporation for a relatively full valuation. **Netflix, Inc.** struggled to perform in April after publishing quarterly results which led many investors to believe that the company's best subscriber growth period may now be in the rearview mirror. However, we think these concerns are overdone. The company has less than 10% share of television viewing in every country where it operates, providing significant runway for further growth.

Meta Platforms Inc. Class A spooked investors in April with conservative second quarter (Q2) guidance and modest price increases. We recognise that strong gains made earlier in the year now need to consolidate but there are few companies delivering such robust top- and bottom-line growth, impressive free cash flow generation and substantial share buybacks.

Key Fund Facts

Estimated annual fund charges		Distributions: Generally does not distribute	Strategy Launch: July 2017
Wholesale:	Negotiated outside of the unit price.	Exclusions: Controversial weapons. Tobacco manufacturers.	Strategy size: \$558.4m
Retail:	1.20%, refer to PDS for more details.	Restrictions: Adult entertainment, gambling, fossil fuels, alcohol stocks. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website nikkoam.co.nz/invest/retail .	Buy / Sell spread: 0.07%/0.07%
KiwiSaver:	1.15% refer to PDS for more details.		

Compliance

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

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