

# Nikko AM Global Equity Multi-Manager Hedged Strategy

Monthly Update 31 March 2025

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 markets were hit by extreme volatility in April, as the implications of US trade policy impacted stocks, bonds, and currencies.
- The MSCI All Countries World Index was down as much as 10% early in the month but gradually clawed back those losses to finish with a gain of 0.98% (USD).
- Underperformance of US equities was primarily driven by the struggling "Magnificent Seven" mega-cap tech stocks, which weighed on the performance of the information technology, communication services, and consumer discretionary sectors

## Fund Highlights

- Core strategy managers, JP Morgan and Royal London, that make up approximately 60% of the fund, underperformed, while the growth managers, WCM and NAME, outperformed, with WCM standing out as the highlight of the month, outperforming the index by a substantial 243 bps.
- Individual performance drivers, two of WCM's holdings — 3i Group plc and Saab AB — were the fund's top contributors to relative performance, followed by two of Royal London's holdings, Constellation Software and Wolters Kluwer. Notably, all four companies are listed outside the US.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	-1.14%	-7.76%	9.82%	11.97%	15.54%	10.77%
<b>Benchmark<sup>2</sup></b>	-0.37%	-5.60%	10.06%	8.69%	12.20%	8.16%
<b>Retail<sup>3</sup></b>	-2.08%	-8.05%	6.74%	9.36%	13.48%	9.19%

- Returns are before tax and before the deduction of fees and including tax credits (if any). Based on actual calendar periods.
- Benchmark: MSCI All Countries World Index (net dividends reinvested) 100% gross hedged to NZD. No tax or fees.
- 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<sup>1,2</sup>



## 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, Stuart Williams.

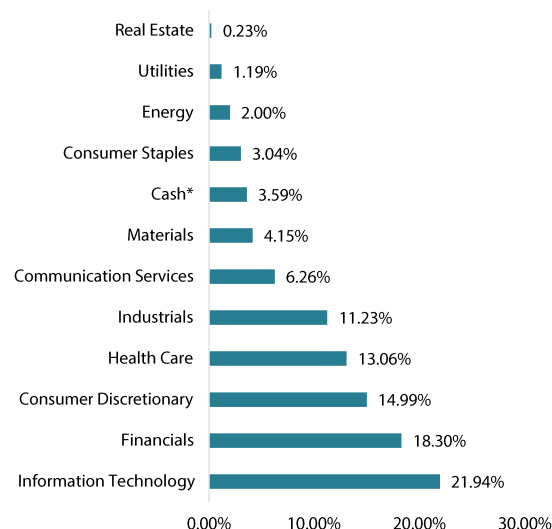
## Overview

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 100% 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.

## Asset Allocation



Top 10 Holdings	% of Fund	Country
Microsoft Corp	5.86	United States
Amazon.com	4.82	United States
NVIDIA Corp	3.83	United States
Taiwan Semiconductor	2.54	Taiwan
Meta Platforms Inc	2.25	United States
Visa Inc.	1.99	United States
Apple Inc.	1.89	United States
UnitedHealth Group	1.70	United States
Progressive Corp	1.68	United States
Safran SA	1.52	France

Manager	Allocation	Active Return	
Royal London (Core)	28.24%	-0.80%	
JP Morgan (Core)	31.03%	-3.13%	
NAME (Quality Growth)	19.18%	0.73%	
WCM (Growth)	20.23%	2.43%	
Based on unhedged performance. Investment style in brackets. Cash not shown			
What helped		What hurt	
3i Group plc	OW	UnitedHealth Group	OW
Saab AB Class B	OW	LVMH Moet Hennessy Louis Vuitton	OW
Constellation Software Inc.	OW	Amazon	OW
OW: overweight; UW: underweight; NH: no holding – month end position			

## Market Commentary

Global markets were hit by extreme volatility in April, as the implications of US trade policy impacted stocks, bonds, and currencies. The month began with US President Trump's 'Liberation Day' and tariffs. US equities, despite recovering somewhat following the tariff pause, underperformed most other regions. Growth stocks outperformed their value counterparts, as both the energy and healthcare sectors underperformed. With initial bullish milestones passed, the next pinch-point is coming into focus. With bears about to give up, lingering policy uncertainty, and the prospect of a macro eye-of-the-storm moment, May is shaping up to be a pivotal month for macro and markets, likely setting the tone for the remainder of the year.

## Fund Commentary

The core strategy managers, JP Morgan and Royal London, that make up approximately 60% of the fund, both underperformed, while the growth managers, WCM and NAME, outperformed, with WCM standing out as the highlight of the month, outperforming the index by a substantial 243 bps.

**Key contributors:** overweight positions in 3i, Saab, Constellation Software.

**3i Group plc** is a UK-based private equity firm that owns most of Action, a thriving European discount retailer. Action, which started in the Netherlands, offers 6,000 products across 14 categories, with 20% being branded items. The store's allure is its everyday low pricing and the thrill of a treasure hunt experience, with most items priced around €2. Action rotates two-thirds of its inventory frequently, bringing in about 150 new items per week, which appeals to the psychology of surprise and scarcity. Swedish defence company **Saab AB** a year ago (2024-Q2) with a view that the company will benefit from accelerated defence spending among Europe's NATO members. While Saab is a global leader in antitank weapons, radar and electronic warfare, it should win even more business following Sweden's formal acceptance of NATO membership in March 2024. This decision followed a long history of Swedish military non-alignment, which ended after Russia's invasion of Ukraine in 2022 and a subsequent groundswell of public support for NATO membership.

**Key detractors:** overweight positions in UnitedHealth Group, LVMH, Baker Hughes & co. Shares in both health insurer UnitedHealth and oilfield services company Baker Hughes fell more than 20% over the month. **UnitedHealth** came under pressure after the company reported a spike in care utilization among Medicare Advantage members, leading to higher-than-expected medical expenses. **Baker Hughes** (4<sup>th</sup> detractor), meanwhile, was affected by a combination of industry-wide headwinds and company-specific challenges. Falling oil prices have led to US shale producers scaling back their drilling activities, impacting oilfield service companies like Baker Hughes. Analysts are also concerned about the company's near-term growth prospects and lowered their Q2 2025 EPS expectations. **LVMH** and **Amazon** were simply caught up in April's extreme volatility and uncertainty around tariffs.

## Key Fund Facts

Estimated annual fund charges (incl. GST)	
<b>Wholesale:</b>	Negotiated outside of the unit price.
<b>Retail:</b>	1.42%, refer to PDS for more details.
<b>Hedging:</b>	Any foreign currency exposure is gross hedged at 100% to NZD. The permitted operational hedging range is 95% to 105%.

<b>Distributions:</b>	Generally does not distribute
<b>Exclusions:</b>	Any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009. Investment prohibited in tobacco manufacturers

<b>Strategy Launch:</b>	October 2008
<b>Strategy size:</b>	\$269.7m
<b>Buy / Sell spread:</b>	0.07%/0.07%

## Compliance

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

## Contact Us

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