

Nikko AM Global Shares Hedged Strategy

Monthly Update 30 June 2025

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

- Volatility spiked as investors grappled with uncertainty around tariff policies and escalating conflict in the Middle East. Both stock and bond markets reacted negatively: equities fell more than 10% in just a few days, while rising bond yields acted as a guardrail against Trump's policy ambitions.
- Risk assets rebounded swiftly, with developed market equities climbing over 25% from their lows and ultimately delivering returns of approximately 11.5% for the quarter.
- The Information Technology and Communication Services sectors remained strong as AI momentum continued, while Health Care lagged. Other defensive sectors, such as Consumer Staples and Real Estate, also underperformed.

Fund Highlights

- The fund returned 11.4% for the quarter, outperforming its benchmark by 2.2%.
- Positive contributors to performance included Oracle Corporation, Netflix, Inc. and Broadcom Inc.
- Negative contributors to performance were Elevance Health, Inc, Bio-Techne Corporation and Genpact Limited.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	4.22%	11.36%	16.89%	16.00%	12.82%	
Benchmark²	3.79%	9.15%	13.35%	15.73%	12.38%	
Retail³	3.79%	9.88%	14.50%	14.18%	11.66%	

- 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

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.

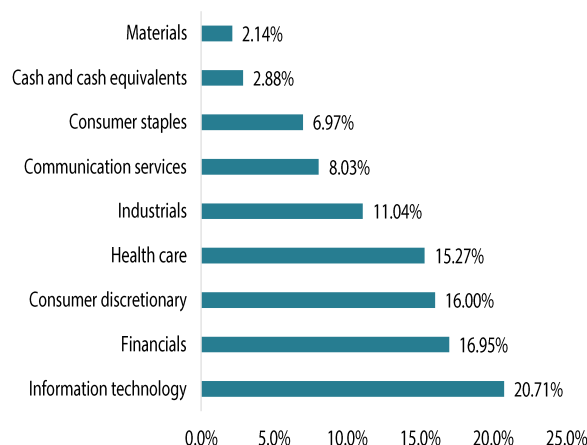
Objective

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.

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



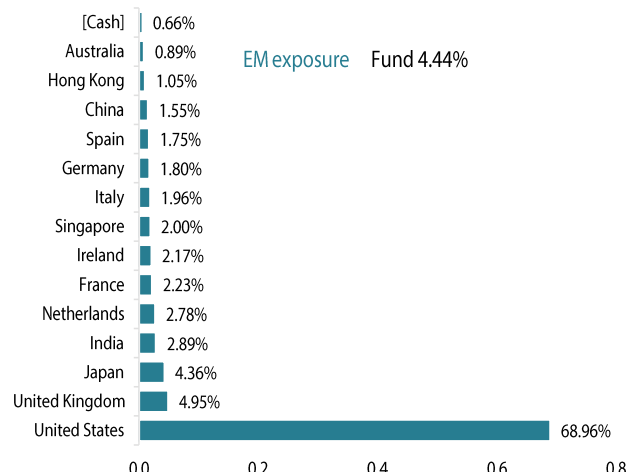
Sector Allocation (Includes cash in NZ PIE)



Top 10 Holdings

	% of Fund	Country
Microsoft Corp	5.89	United States
Nvidia Corp	5.47	United States
Meta Platforms Inc	4.52	United States
Amazon Com Inc	4.48	United States
Netflix Inc	3.51	United States
Broadcom Corp Com	3.20	United States
Oracle Corp	2.95	United States
HDFC Bank Ltd	2.82	India
Coca-Cola Europacific Partners	2.72	United Kingdom
Uber Technologies Inc	2.63	United States

Geographical Allocation (Includes cash in NZ PIE)



Market Commentary

The second quarter of 2025 began with Liberation Day, popularised by President Trump as a symbolic milestone for economically freeing the US from global dependence. However, investors worldwide looked for a different kind of liberation, as traditional economic models were upended and markets plunged into free fall. Volatility spiked as investors grappled with uncertainty around tariff policies and escalating conflict in the Middle East. Both stock and bond markets reacted negatively: equities fell more than 10% in just a few days, while rising bond yields acted as a guardrail against Trump's policy ambitions. In response to the turmoil, the US administration softened its trade stance, pausing reciprocal tariffs for ninety days and agreeing on the principles of a trade deal with China. Risk assets rebounded swiftly, with developed market equities climbing over 25% from their lows and ultimately delivering returns of approximately 11.5% for the quarter. Despite the extreme volatility, the strategy outperformed global benchmarks by more than 2%, driven entirely by stock selection. Easing trade tensions between the US and China, along with a weakening dollar, provided a tailwind for Asian equities, which outperformed alongside Canada and Australia. All major equity markets posted positive returns, with the UK ranking last but still delivering a respectable return. European indices performed slightly better. The Information Technology and Communication Services sectors remained strong as AI momentum continued, while Health Care lagged due to earnings disappointments and persistent negative headlines. Other defensive sectors, such as Consumer Staples and Real Estate, also underperformed.

Fund Commentary

Contributors: Oracle Corporation reported fiscal fourth-quarter beats on both the top and bottom lines, driven by strong performance in its applications and OCI segments. Management significantly raised their guidance for 2026, projecting 16% top-line growth. The company remains in the early stages of its growth inflection, benefiting from multiple tailwinds across its cloud, database, and application businesses. In the second quarter of 2025, **Netflix, Inc.** performed strongly, driven by robust subscriber growth and better-than-expected financial results. Analysts highlighted the company's continued success in international markets and its expanding ad-supported tier, which contributed to higher average revenue per user. **Broadcom Inc.** entered the ranks of the top 10 most valuable companies globally, with a market capitalisation exceeding US Dollars 1.2 trillion by the end of June. Its performance was fuelled by strong demand for custom chips used in AI data centres. Meta Platforms Inc. and Alphabet Inc. - two of Broadcom's major customers - highlighted the company's critical role in their infrastructure, particularly in networking chips that optimise data flow between servers. This endorsement, combined with massive AI-related capital expenditure plans, positions Broadcom as a key beneficiary of the AI boom.

Detractors: Elevance Health, Inc. faced pressure ahead of its Q2 earnings release, with analysts expressing caution over rising medical costs and regulatory headwinds in Medicare Advantage - partially fuelled by poor trading statements from peer UnitedHealth. Although Q1 results were strong, sentiment around the sustainability of growth amid expected margin compression in the second half of the year remains weak. **Bio-Techne Corporation**, despite reporting 9% organic revenue growth, missed EPS expectations by US Dollar 0.03. The slightly disappointing results heightened lingering uncertainty in the biopharma end-market, which tempered investor enthusiasm despite strong margin improvements. We still believe Bio-Techne's end markets will recover, though it appears that the recovery will be uneven. **Genpact Limited** experienced a sharp slowdown in its core Digital Operations segment, prompting a downward revision to its full-year revenue growth forecast to just 2-5%. The downgrade was primarily due to large contracts not being signed amid increased uncertainty caused by Trump's tariffs.

Key Fund Facts

Estimated annual fund charges		Distributions:	Generally does not distribute	Strategy Launch:	July 2018
Wholesale:	Negotiated outside of the unit price.	Exclusions:	Controversial weapons. Tobacco manufacturers.	Strategy size:	\$316.6m
Retail:	1.20%, refer to PDS for more details.			Buy / Sell spread:	0.07%/0.07%
Hedging:	Any foreign currency exposure is gross hedged at 100% to NZD. The permitted operational hedging range is 95% to 105%.	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 .		

Compliance

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

Contact Us

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