

Factsheet 31 March 2021

# NIKKO AM GLOBAL EQUITY UNHEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Equity Fund. The Nikko AM Global Equity Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

## Market Overview

- Global equity markets continued to rise in the first quarter of 2021, with the MSCI All Countries World Index (ACWI) climbing 7.51% (NZD, unhedged).
- Bond yields rose steadily over the course of the quarter.
- Although healthcare, utilities and consumer staples underperformed over the quarter, there was some evidence of investor interest in stable growth parts of the market in March, as relative valuations have begun to look more interesting in recent months.
- One of the best performing major regions this quarter was the US, helped by rising hopes of a fiscal stimulus package being passed by Congress. The UK also outperformed, driven by the country's relatively well advanced COVID-19 vaccination programs and hopes for economic reopening.

## Fund Highlights

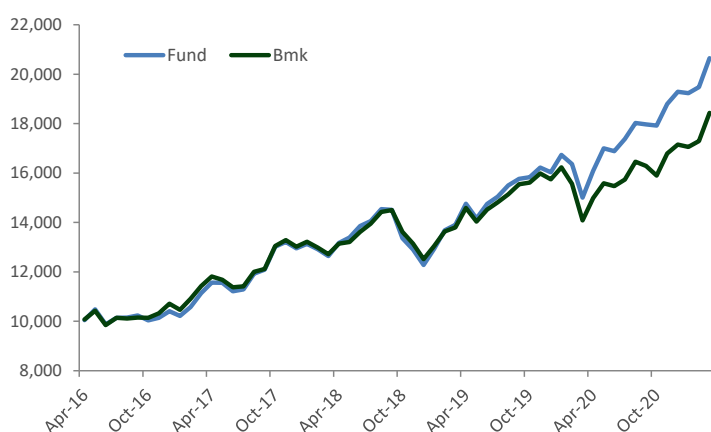
- The fund returned 7.09% over the first quarter – a strong result in absolute terms, but 42bps lower relative to the benchmark return. That is quite a normal result after five straight quarters of outperforming the benchmark by an average of 209 bps per quarter.
- Holdings in the Materials and Healthcare sectors added value, while a significant underweight to the outperforming energy sector, which makes up 3.3% of the benchmark, was a significant detractor from performance (circa -30 bps).

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	6.05%	7.09%	37.65%	17.78%	15.61%	
Benchmark <sup>2</sup>	6.59%	7.51%	30.87%	13.18%	13.02%	
Retail <sup>3</sup>	6.70%	6.98%	37.00%	16.86%	14.29%	

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), 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 (gross), \$10,000 invested<sup>1,2</sup>



## Investment Manager

The multi-manager global equity strategy is managed by Nikko AM's multi-strategy team based across Sydney and Singapore. 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, George Carter.

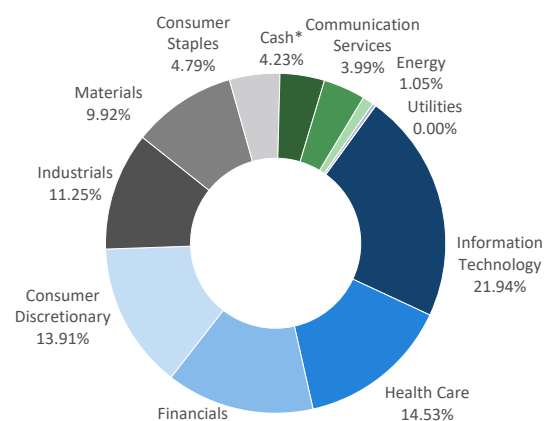
## Overview

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.

## Asset Allocation



Top 10 Holdings	Fund	MSCI	Country
Microsoft Corporation	3.85%	2.74%	US
Amazon.Com, Inc.	3.14%	2.13%	US
Taiwan Semiconductor	2.49%	0.82%	Taiwan
Visa, Inc.	2.45%	0.58%	US
Steel Dynamics Inc.	2.42%	0.02%	US
Reliance Steel & Aluminium Co.	2.19%	0.00%	US
Progressive Corporation	2.19%	0.09%	US
Anglo American Plc	2.08%	0.08%	South Africa
Tencent Holdings Ltd	1.85%	0.73%	China
Old Dominion Freight Line Inc.	1.84%	0.04%	US

Manager	Allocation	Active Return
NAM Europe	29.68%	-1.89%
Royal London	41.31%	4.83%
WCM	26.66%	-6.71%
Cash & Derivatives	2.34%	N/A

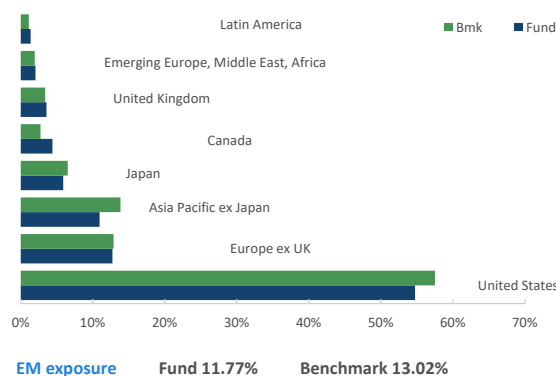
What helped	What Hurt
Steel Dynamics	OW Palomar Holdings
Reliance Steel & Aluminium	OW Mercadolibre Inc
Apple Inc	UW Verisk Analytics

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

## Market Commentary

Global equity markets continued to rise in the first quarter of 2021, with the MSCI All Countries World Index (ACWI) climbing 7.51% (NZD, unhedged). The main driver was the view that only equities will offer attractive returns against a backdrop of rising inflation expectations. Bond yields rose steadily over the course of the quarter. The picture within defensive sectors was less black and white towards quarter end. Although healthcare, utilities and consumer staples underperformed over the quarter, there was some evidence of investor interest in stable growth parts of the market in March, as relative valuations have begun to look more interesting in recent months. Consumer staples outperformed consumer discretionary for the first time in a year. Real estate and utilities also outperformed in March. The information technology sector lagged the market as investors weighed the sector's valuation relative to its growth in comparison to other sectors. Looking below the sector level, there was continued evidence of a bid for relative cyclicity, with semiconductor stocks outperforming software and services – helped by Intel's announcement of a major capital expenditure program, attempting to close their technology gap with Taiwan Semiconductor. One of the best performing major regions this quarter was the US, helped by rising hopes of a fiscal stimulus package being passed by Congress. The UK also outperformed, driven by the country's relatively well advanced COVID-19 vaccination programs and hopes for economic reopening. Most other major regions marginally underperformed with Emerging Markets in Asia suffering after strong recent performance – likely undermined by the appreciation of the US dollar noted above. Europe ex UK also underperformed, although it did improve slightly in March. Although domestic economic growth will likely be depressed for a (hopefully) short time by ongoing lockdown measures introduced to control the spread of COVID-19, the region is a significant beneficiary of rising expectations for global economic growth.

## Geographical Allocation



## Fund Commentary

The fund returned 7.09% over the first quarter – a strong result in absolute terms, but 42bps lower relative to the benchmark return. That is quite a normal result after five straight quarters of outperforming the benchmark by an average of 209 bps per quarter. The first quarter's result was largely driven by the underperformance of WCM (-671 bps) whose growth-oriented strategy faced headwinds from the style rotation into cyclicals / value and out of longer duration, quality / growth, over the last few months. On the flipside, Royal London (483 bps) had an extremely impressive quarter, benefitting from their stock selection in steel and mining companies (and corresponding overweight to the materials sector). At the fund level, the quarter's relative performance of -42 bps was largely driven by stock selection in six of the 11 GICS sectors, while sector allocation was also a drag on performance. Regarding stock selection, portfolio holdings in the financials sector performed the worst. Holdings in the materials and healthcare sectors however added significant value. From an allocation point of view, a significant underweight to the outperforming energy sector (which makes up 3.3% of the benchmark) was a significant detractor from performance (circa -30 bps). One of the major exclusions in the Fund, tobacco, had a solid quarter with a return of 11.5%. Nil exposure to tobacco companies detracted about 3 bps from performance.

## Key Facts

### Distributions

Generally does not distribute

### Hedging

Any foreign currency exposure is unhedged.

### Exclusions

Any security that conduct activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009 and tobacco manufacturers.

### Estimated annual fund charges (Incl. GST)

Wholesale: negotiated outside of the unit price

Retail: 1.37%, refer PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07% / 0.07%	October 2008	\$263m

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

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