

Factsheet 30 April 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 April, with the MSCI ACWI climbing 1.88%.
- Bond yields consolidated recent gains this month, having recovered all their COVID-19 inspired losses during Q1.
- Although the picture continues to improve in the developed world, where vaccination programmes are generally going well, there remains a threat to future global economic growth, if the developing world does not get its fair share of vaccines and new variants of the virus emerge.
- The strongest sector this month was Communication Services, benefitting from better than expected quarterly results from index heavyweights Facebook and Google.

## Fund Highlights

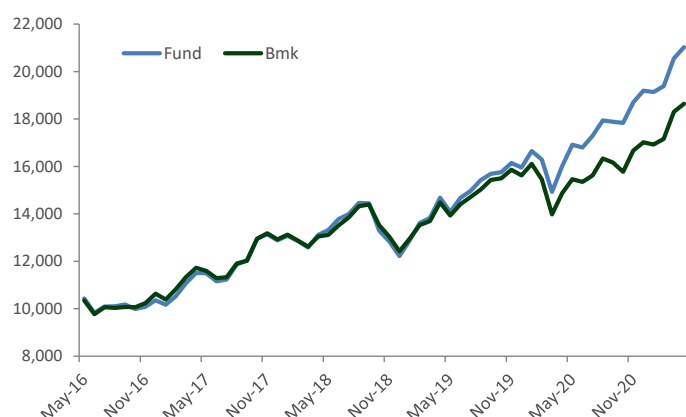
- The Fund returned 2.32% in April to outperform the index by 44 basis points.
- For the underlying managers, it was three from three with NAME (100 bps) and WCM (131 bps) achieving the best relative performance, while RLAM (20 bps) was marginally ahead of benchmark.
- Sector attribution shows that most of the value added came from stock picking in the Healthcare, Consumer Discretionary, Industrials and Materials Sectors.
- Stock selection in the Information Technology sector was the only detractor of note – primarily due to underwhelming performance by Taiwan Semiconductor, Micron Technology and SolarEdge Technologies.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	2.32%	9.90%	31.34%	17.06%	16.03%	
Benchmark <sup>2</sup>	1.88%	10.13%	25.32%	12.64%	13.27%	
Retail <sup>3</sup>	3.26%	9.03%	28.23%	16.11%	14.90%	

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.

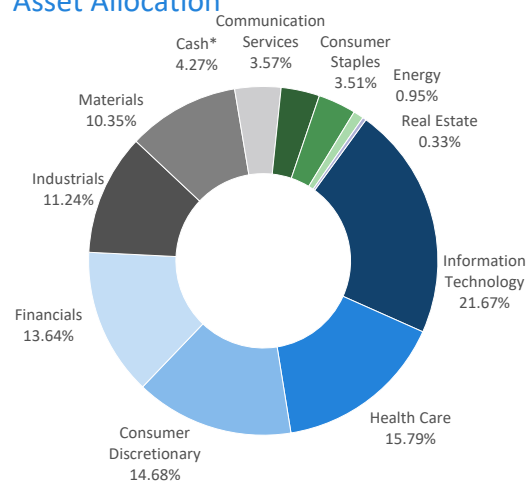
## Overview

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 Corp	3.88%	2.81%	US
Amazon.com	3.16%	2.29%	US
Visa Inc	2.42%	0.61%	US
Steel Dynamics Inc	2.25%	0.02%	US
Progressive Corp	2.16%	0.09%	US
Reliance Steel & Aluminum	2.05%	0.00%	US
Anglo American PLC	2.03%	0.08%	South Africa
Taiwan Semiconductor	2.01%	0.82%	Taiwan
Upm-Kymmene	1.91%	0.03%	Finland
Old Dominion Freight Line	1.76%	0.04%	US

Manager	Allocation	Active Return
NAM Europe	32.13%	1.00%
Royal London	39.30%	0.19%
WCM	26.32%	1.31%
Cash & Derivatives	2.25%	N/A

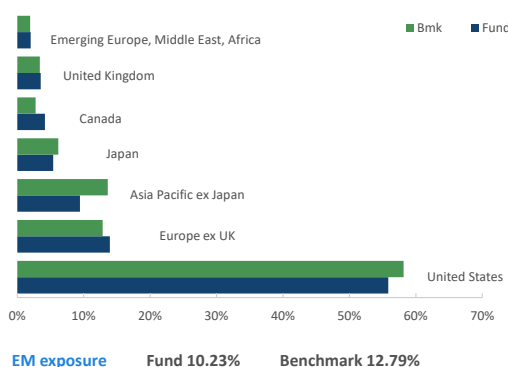
What helped	What Hurt
Evolution Gaming	OW HDFC Bank
West Pharma Services	OW Taiwan Semiconductor
Burford Capital	OW Bridgestone Corp

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

## Market Commentary

Global equity markets continued to rise in April, with the MSCI ACWI climbing 1.88%. The main driver, once again, was the view that only equities will offer attractive returns against a backdrop of accelerating economic recovery from the global COVID-19 pandemic. Economic data has been particularly strong in the US, with the much-watched ISM gauge of New Orders remaining at high levels, small business optimism increasing and frequent stories of product shortages emerging as pent up demand is released. Bond yields consolidated recent gains this month, having recovered all their COVID-19 inspired losses during Q1. The focus of the global pandemic switched to the developing world this month, with India suffering from a resurgence in infections, hospitalisations and fatalities. This was after the country had fared reasonably well in the first wave of infections. Although the picture continues to improve in the developed world, where vaccination programmes are generally going well, there remains a threat to future global economic growth, if the developing world does not get its fair share of vaccines and new variants of the virus emerge. The Energy sector also saw some consolidation this month after a period of strong gains, as investors weighed an increase in output from OPEC and a relatively solid demand environment. Other underperforming sectors this month included many of the defensive sectors, with Consumer Staples, Utilities and Healthcare all failing to keep pace with the market. Of the traditionally defensive sectors, only Real Estate outperformed. The strongest sector this month was Communication Services, benefitting from better than expected quarterly results from index heavyweights Facebook and Google. A continued bid for economic sensitivity was also evident in the outperformance enjoyed by the Materials and Financials sectors. The Information Technology sector outperformed in April too, pausing its recent underperformance. Europe ex UK also outperformed, as the region's vaccination programme started to pick up speed. Japan and Emerging Asia were the underperformers in April, with rising COVID-19 infections in several countries.

## Geographical Allocation



## Fund Commentary

The Fund returned 2.32% in April to outperform the index by 44 basis points (bps). Style rotation was once again a strong theme over the month, with "Growth" taking the baton from "Value". For the underlying managers, it was three from three with NAME (100 bps) and WCM (131 bps) achieving the best relative performance, while RLAM (20 bps) was marginally ahead of benchmark. The Fund is reasonably agnostic about style leadership and retains a strong focus on investing in high quality businesses. Sector attribution shows that most of the value added came from stock picking in the healthcare, consumer discretionary, industrials and materials sectors, while an underweight exposure to the poor performing energy sector was a familiar contributor to performance. Stock selection in the information technology sector was the only detractor of note – primarily due to underwhelming performance by Taiwan Semiconductor, Micron Technology and SolarEdge Technologies. The top individual contributors to the outperformance in April were Evolution Gaming Group, West Pharma Services, Visa Inc, Livanova plc and Burford Capital. At the opposite end were the main detractors in the form of HDFC Bank, Taiwan Semiconductor, Alphabet, Bridgestone Corp and Sumitomo Mitsui Financial Group. Investors are concerned by an increase in the cheque-bounce rate as this will impact credit costs and appetite for growth. However, the broader growth outlook for the company remains optimistic.

## 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	\$199.2m

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

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