

Factsheet 30 November 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

- In NZD terms, global equity markets pushed higher in November, adding 2.91%. This return was notably better than that delivered in USD terms, with the market actually falling 2.41%.
- Information Technology was by far the strongest performing sector this month – helped by its relatively high exposure to mega-cap stocks and its status as a relative winner if COVID-19 once again starts to impact economic recovery.
- Regionally speaking, the US was the only region to outperform the index this month, helped by its relatively heavy exposure to big cap technology stocks. All of the other major regional indices underperformed, with the UK and Europe faring worse than Asian markets.

Fund Highlights

- The fund returned 3.37% in November to outperform the benchmark return by 46 basis points (bps).
- The fund benefitted from its overweight exposures to Old Dominion Freight Line, Taiwan Semiconductor and HelloFresh.
- The main detractors from performance were an underweight exposure to Apple Inc and overweight exposures to Evolution AB and Sanfran SA.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	3.37%	1.57%	25.14%	22.15%	18.33%	15.14%
Benchmark ²	2.91%	1.98%	23.51%	16.43%	14.98%	13.26%
Retail ³	4.90%	1.74%	25.52%	21.46%	17.50%	

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 ^{1,2}



Investment Manager

The multi-manager global equity strategy is managed by Yarra Capital Management's (YCM) multi-strategy team based in Sydney and Melbourne. Nikko AM Australia was sold to YCM in April 2021. 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.

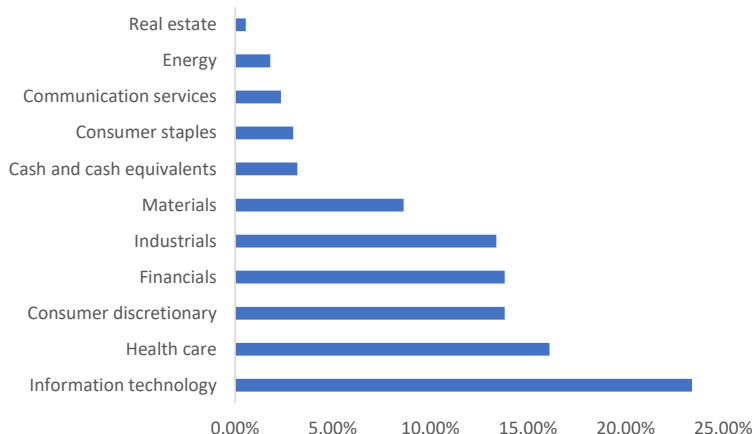
Overview

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	Country	Manager	Allocation	Active Return
Microsoft Corp	5.48%	US	NAM Europe	29.48%	1.28%
Amazon Com Inc.	3.72%	US	Royal London	43.55%	-0.29%
Progressive Corp.	2.56%	US	WCM	26.07%	0.90%
Old Dominion Freight Line Inc.	2.24%	US	Cash & Derivatives	0.89%	n/a
Taiwan Semiconduct Manufacturing	2.11%	Taiwan			
Anglo American Plc.	2.08%	UK			
Steel Dynamics Inc.	2.08%	US			
Constellation Software	1.90%	Canada			
Reliance Steel & Aluminium Co	1.90%	US			
Alphabet Inc	1.88%	US			

What helped	What Hurt
Old Dominion Freight Line	OW Apple Inc UW
Taiwan Semiconductor	OW Evolution AB OW
HelloFresh	OW Safran SA OW

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

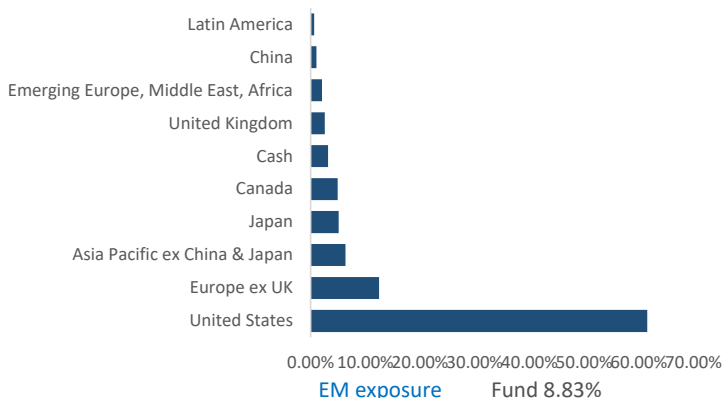
Market Commentary

In NZD terms, global equity markets pushed higher in November, adding 2.91%. This return was notably better than that delivered in USD terms, with the market actually falling 2.41%. The appreciation of the USD was driven by a renewed bid for safety as market volatility increased significantly towards month end, following the discovery of a new variant of the coronavirus in South Africa. Information Technology was by far the strongest performing sector this month – helped by its relatively high exposure to mega-cap stocks and its status as a relative winner if COVID-19 once again starts to impact economic recovery. The sector also typically enjoys reasonably good pricing power, protecting profit margins and earnings against inflation. Performance was more mixed among other cyclical sectors. Consumer Discretionary outperformed though the arrival of the Omicron variant triggered a meaningful reversal of fortunes for both the Energy and Financials sectors. Both have been fairly consistent outperformers in recent months but underperformed in November as fresh doubt was cast over the rate of economic growth going into 2022. Industrials and Basic Materials also underperformed over the period. Regionally speaking, the US was the only region to outperform the index this month, helped by its relatively heavy exposure to big cap technology stocks. All other major regional indices underperformed, with the UK and Europe faring worse than Asian markets.

Fund Commentary

The fund returned 3.37% in November to outperform the benchmark return by 46 basis points (bps). WCM was the best performing manager over the month, leading the benchmark by 90 bps. This outperformance was driven by strong stock selection across a number of sectors, nil exposure to the poor performing communication services sector, and an overweight to the top performing information technology sector. Some of WCM's best performers in November were Autostore Holdings, Old Dominion Freight Line, Costco, Sherwin-Williams, Lam Research and Ferrari. At the aggregate fund level, the top contributors to performance in November were Old Dominion Freight Line (industrials), Taiwan Semiconductor (information technology), HelloFresh (consumer discretionary), Reliance Steel (materials) and Microsoft (information technology). The main detractors were underweight exposures to Apple (information technology), Tesla (consumer discretionary) and Pfizer (healthcare), which all outperformed, as well as overweight exposures to Evolution (consumer discretionary), Safran (industrials), Palomar Holdings (financials) and Royal Philips (healthcare), which all underperformed.

Geographical Allocation



Key Facts

Distributions

Generally does not distribute

Hedging

Any foreign currency exposure is unhedged.

Restrictions

Investment prohibited in any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009.
Investment prohibited in tobacco manufacturers.

Estimated annual fund charges (Incl. GST)

Wholesale: negotiated outside of the unit price

Retail: 1.42%, refer PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07% / 0.07%	October 2008	\$223.5m

Compliance

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

Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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