

Factsheet 28 February 2022

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

- February looked like being a quieter month for equity markets. That was until news broke of Russia's decision to invade neighbouring Ukraine.
- Energy providers have been the biggest outperformers with the market unable to rely on security of supply of the country's oil and gas.
- Regionally speaking, markets with a relatively high exposure to commodities have fared best – whether that exposure is directly to the underlying commodities or to the companies that extract them.

Fund Highlights

- The fund significantly outperformed the benchmark – albeit returns were negative for the month.
- The fund benefitted from its overweight exposures to Reliance Steel, Steel Dynamics and Anglo American.
- The main detractors from performance were information technology sector, for example Taiwan Semiconductor, Shopify and Microsoft.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-2.91%	-3.77%	16.19%	18.26%	16.43%	14.53%
Benchmark ²	-5.46%	-3.38%	15.83%	13.68%	12.93%	12.71%
Retail ³	-2.14%	-5.25%	16.24%	17.21%	15.12%	-

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. 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.

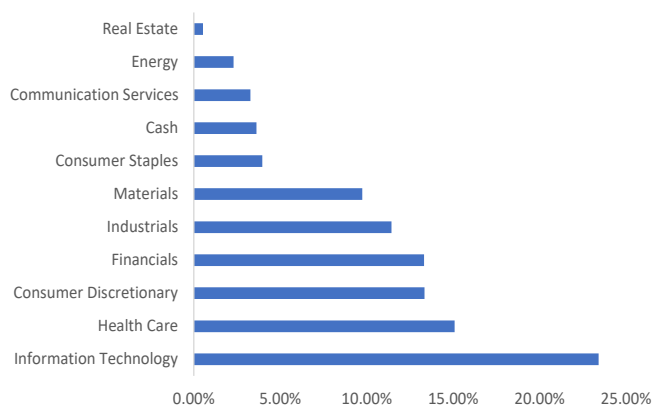
Overview

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	5.58%	US	NAM Europe	28.80%	2.20%
Amazon Com Inc.	3.70%	US	Royal London	47.41%	4.29%
Steel Dynamics Inc	2.85%	US	WCM	21.50%	-0.85%
Progressive Corp	2.78%	US	Cash & Derivatives	2.28%	n/a
Anglo American Plc	2.66%	UK			
Reliance Steel & Aluminum Co	2.52%	US			
Suncor Energy Inc	2.29%	Canada			
Unitedhealth Group Inc	1.96%	US			
Taiwan Semiconduct Manufacturing	1.90%	Taiwan			
Alphabet Inc Cap	1.87%	US			

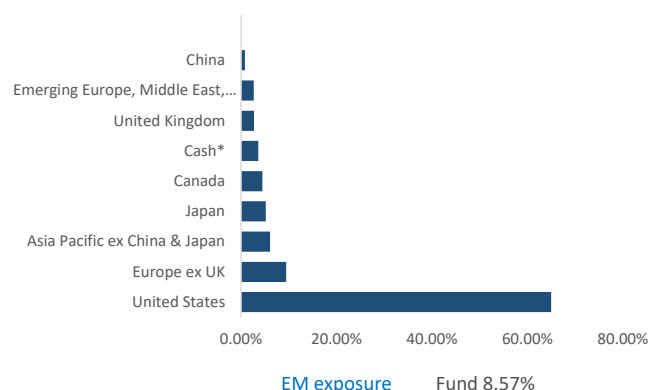
What helped	What Hurt
Reliance Steel	OW Taiwan Semiconductor
Steel Dynamics	OW Shopify Inc
Anglo American plc	OW Masimo Corp

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

Market Commentary

After the sharp market rotation evident in January, February had looked like being a quieter month for equity markets. That was until news broke of Russia's decision to invade neighbouring Ukraine, in an attempt to counter what Vladimir Putin saw as the continued encroachment of Western culture onto what he sees as Russian territory. The immediate equity market impact has been to reappraise the short-term direction of profits. Energy providers have been the biggest outperformers with the market unable to rely on security of supply of the country's oil and gas. Russia provides up to 40% of Europe's gas, so it is probably not surprising that some big, relatively prosperous European countries have quickly pivoted towards alternative, new energy sources. Witness Germany's decision to invest in LNG infrastructure. Other commodity sectors have also fared comparatively well, given Russia and Ukraine's relatively important role in the provision of materials such as nickel, aluminium and wheat. Energy and Basic Materials were the two strongest performing sectors this month. Regionally speaking, markets with a relatively high exposure to commodities have fared best – whether that exposure is directly to the underlying commodities or to the companies that extract them. Australasia, Canada, Latin America and the UK have all outperformed. Europe ex UK was the weakest of the large regions although the falls in EMEA assets were significantly larger. Russia was more than 20% of EMEA benchmarks at the end of January. With Russian equities now increasingly viewed as uninvestable, these falls could be larger still in March and beyond.

Geographical Allocation



Fund Commentary

The fund returned -2.91% in February to outperform the benchmark return of -5.46%. The top performing individual holdings were Reliance Steel, Steel Dynamics and Anglo American. Stock selection in the financials, consumer discretionary and industrials sectors also had a positive impact on performance – the top performers in each of those sectors were the specialist insurer Palomar Holdings, the automotive retailer Lithia Motors and the aircraft parts manufacturer Safran SA. The share price of Palomar Holdings has had a sharp decline over the prior three months but bounced back strongly in February following strong quarterly results. Premium growth was at the high end of the insurance sector and the combined ratio was in the mid-70s despite challenging weather. Growth is being driven by a strong interest rate environment, expanding total addressable market (TAM), market share gains and broadening distribution. The fund's top detractors were mostly from the poor performing information technology sector, for example Taiwan Semiconductor, Shopify and Microsoft. The medical devices company Masimo Corp, which was bought a few months ago, fell sharply in February following the company's announcement of its planned acquisition of Sound United.

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:

0.07% / 0.07%

Strategy Launch

October 2008

Strategy size

\$236m

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

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