

Factsheet 28 February 2023

NIKKO AM GLOBAL SHARES UNHEDGED STRATEGY

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

Market Overview

- There wasn't much follow through from January's exuberance in February, as equity markets struggled to add much to the gains made earlier in the year.
- The best performing regions were Europe and the UK – where low starting relative valuations and improving sentiment towards industrials and financials helped to lift sentiment. The US also marginally outperformed, helped by its above average exposure to Information Technology.

Fund Highlights

- The fund posted a return of 1.28% over the month of February, in line with benchmark. Returns on unhedged assets were positively impacted by the weakening in NZD.
- Positive contributors to fund performance over the month were Palomar Holdings, Progressive Corporation and Box, Inc.
- Main detractors Adaptive Corporation, LivaNova Plc and American Tower Corporation.
- Unhedged exposure to global assets offered some protection as the NZD weakened.

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	1.28%	-0.33%	0.64%	10.67%	12.49%
Benchmark ²	1.32%	0.25%	0.21%	8.85%	9.12%
Retail ³	4.05%	3.00%	0.19%	9.93%	11.26%
KiwiSaver ³	4.06%	3.02%	0.17%	10.03%	

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.

Since Inception Cumulative Performance (gross), \$10,000 invested^{1,2}



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.

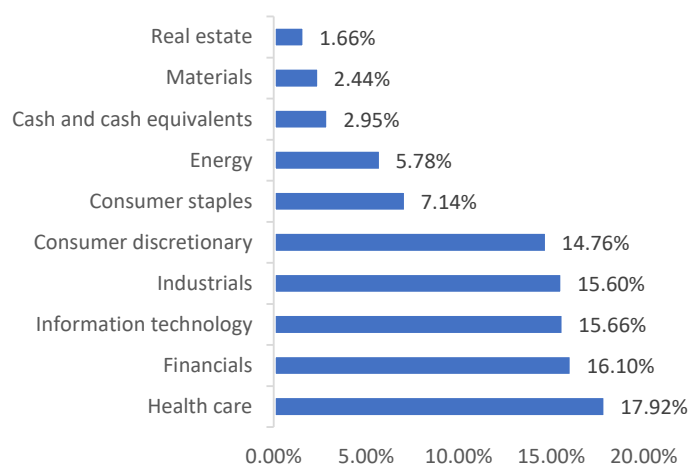
Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth.

Objective

The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

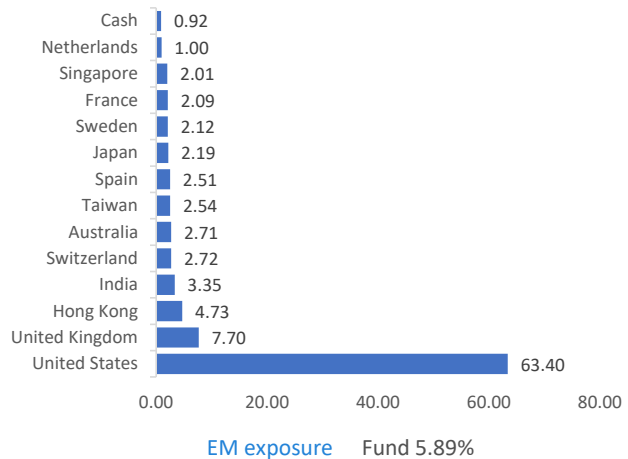
Sector Allocation



Top 10 Holdings

	% of Fund	Country
Microsoft Corp	4.45	United States
HDFC Bank Ltd	3.33	India
Compass Group	3.28	United
Schlumberger Ltd	3.09	United States
Progressive Corp	2.93	United States
Booking Inc	2.80	United States
Nestle	2.70	Switzerland
KBR Inc	2.70	United States
Worley Limited	2.69	Australia
AIA Group Ltd	2.66	Hong Kong

Geographical Allocation



Market Commentary

There wasn't much follow through from January's exuberance in February, as equity markets struggled to add much to the gains made earlier in the year. Strong economic data was seen as bad news for equity markets during the month. In the US and Europe, inflation readings have continued to run at elevated levels – with the Federal Reserve's preferred inflation gauge (the PCE deflator) rising 0.6% month-on-month – its biggest gain since 2021. Bond yields pushed higher as a result. Interestingly, however, the spike in yields has not fed through into defensive sectors leading the market. Instead, Information Technology, Financials and Industrials continued to trade well – suggesting that investors do not see the current tightening in financial conditions as a lasting phenomenon. Defensives have continued to underperform in February, with Healthcare, Real Estate and Utilities all struggling. The best performing regions were Europe and the UK – where low starting relative valuations and improving sentiment towards industrials and financials helped to lift sentiment. The US also marginally outperformed, helped by its above average exposure to Information Technology.

Fund Commentary

The fund posted a positive return of 1.28% over the month of February, in line with benchmark. The unhedged fund's higher exposure to US dollar stocks relative to the index meant that currency gains offset losses from stocks. Positive contributors to fund performance over the month were Palomar Holdings, Progressive Corporation and Box, Inc. Main detractors Adaptive Corporation, LivaNova Plc and American Tower Corporation. Palomar Holdings shares outperformed, fuelled by a positive reaction to their fourth quarter earnings release. Reinsurance pricing was the focus of investors heading into the print and whilst the tougher reinsurance market was acknowledged, management were able to ease investor concerns and evidence their ability to obtain sufficient reinsurance capacity at a better price than peers. Progressive Corporation had a strong month, helped by a positive reaction to the release of their January results which showed strong growth in policy numbers. On top of this, rising bond yields offered a tailwind in February. Box, Inc. shares started the month strong and held onto those gains despite increased headwinds for the growth end of the market as the month progressed. This came after Box faced some pressure in January from an analyst downgrade, which prevented it from fully participating in the bounce last month. AdaptHealth Corporation shares fell at the end of the month after a poor Q4 print. Investors were particularly disappointed by the lowering of full year guidance which accompanied the earnings release. LivaNova Plc underperformed following the release of Q4 numbers. While the headline numbers came in generally ahead of consensus, investor sentiment was hit by uninspiring growth in US Epilepsy, LivaNova's most profitable business, due to execution issues. American Tower Corporation shares were weak performers in February as they felt the impact of rising bond yields. Due to the long-duration cash flows associated with American Tower's business, the share price has limited shelter from rising yields.

Key Fund Facts

Distributions: Generally does not distribute

Exclusions: Controversial weapons. Tobacco manufacturers.

Restrictions Adult entertainment, gambling, fossil fuels, alcohol stocks. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <https://www.nikkoam.co.nz/invest/retail>.

Estimated annual fund charges

Wholesale: negotiated outside of the unit price
 Retail 1.20%, refer to PDS for more details
 KiwiSaver 1.15% refer to PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07%/0.07%	July 2017	\$554.8m

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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