Factsheet 31 March 2023

NIKKO AM GLOBAL EQUITY HEDGED STRATEGY

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

Market Overview

- Q1 has been a good quarter for global equities, although not without volatility – particularly in March. The month started relatively quietly, with equity markets consolidating gains made earlier in the year. Then came the Silicon Valley collapse.
- Information Technology was one of the largest beneficiaries (along with Communication Services) and was one of the strongest performing sectors this quarter. Other sectors that outperformed included Consumer Discretionary. The worst performing sector was Financials – with banks faring particularly badly.

Fund Highlights

- The fund had a reasonable quarter with a return of 6.91% to outperform the benchmark return of 6.35% by 56 bps. Of the underlying managers in the fund, WCM (266 bps) and Royal London (341 bps) both outperformed the benchmark by a significant margin over the March quarter, but NAME (-396 bps) had a very challenging three months.

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 gross hedged at 139% to NZD.

Objective

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

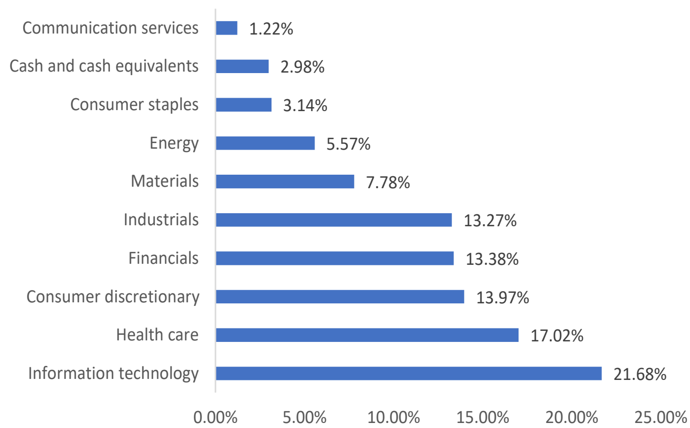
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale[1]	1.63%	6.91%	-8.90%	18.97%	8.60%	11.05%
Benchmark[2]	2.66%	6.35%	-11.33%	14.65%	5.61%	9.13%
Retail[3]	-0.01%	4.56%	-12.53%	16.37%	7.07%	9.20%

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) 139% gross hedged to NZD. 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]

Asset Allocation



Top 10 Holdings	% of Fund	Country
Microsoft Corp	6.15	United States
Amazon Com Inc	3.28	United States
Unitedhealth Group Inc Com	3.00	United States
Visa Inc - A	2.74	United States
Progressive Corp	2.72	United States
Constellation Software Com	2.28	Canada
Old Dominion Freight Line Inc	2.16	United States
Steel Dynamics Inc	2.13	United States
Hca Healthcare Inc	2.05	United States
Safran Sa	1.78	France

Manager	Allocation	Active Return
NAM Europe & NZD Cash	28.22%	-4.38%
Royal London	48.48%	-1.40%
WCM	21.66%	0.73%
Cash	1.64%	n/a

Based on unhedged performance

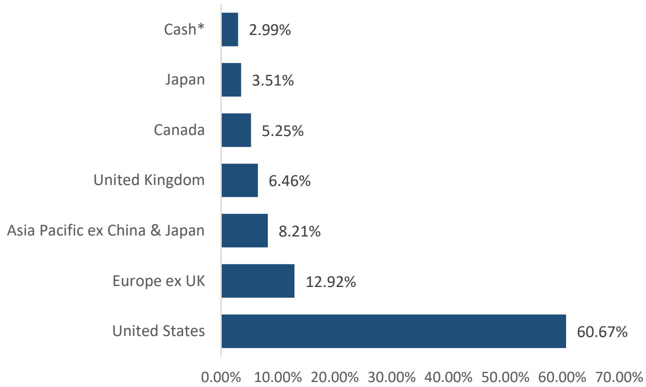
What helped		What Hurt	
Reliance Steel	o/w	Apple Inc	u/w
Constellation Software	o/w	UnitedHealth Group	o/w
Old Dominion Freight	o/w	Tesla Inc	NH

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

Market Commentary

Q1 has been a good quarter for global equities. Having been down almost 30% at one stage during 2022, the benchmark has now recovered about half of those losses. Q1 was not without volatility – particularly in March. The month started relatively quietly, with equity markets consolidating gains made earlier in the year. Then came the Silicon Valley Bank (the 16th biggest bank in the US at the time, in terms of consolidated assets) collapse. The mismatch between the maturities of the bank's assets and liabilities spooked investors and depositors who were all too familiar with the events of 2008 and a run on the bank began. Shares in the bank fell 60% on March 9th and the bank was taken under FDIC control on the 10th. Other regional banks suffered deposit flight consequently, with Signature Bank also failing. Gauges of financial conditions tightened on the announcement of SVB's failure but quickly loosened again as the Federal Reserve stepped in. Similarly, BBB spreads widened before ending the month relatively unchanged. One of the more lasting impacts of these developments was on interest rate expectations. Information Technology was one of the largest beneficiaries (along with Communication Services) and was one of the strongest performing sectors this quarter. Other sectors that outperformed included Consumer Discretionary. The worst performing sector was Financials – with banks faring particularly badly. This dragged them towards the bottom of the pile over the quarter. Real Estate also underperformed significantly. Other sectors that failed to keep up with the market included Energy (as the oil price declined – driven by expectations of weaker demand, rather than any uplift in supply) and Healthcare (as cyclical sectors generally outperformed).

Geographical allocation



EM exposure Fund 5.40%

Fund Commentary

The fund had a reasonable quarter with a return of 6.91% to outperform the benchmark return of 6.35% by 56 bps. Of the underlying managers in the fund, WCM (266 bps) and Royal London (341 bps) both outperformed the benchmark by a significant margin over the March quarter, but NAME (-396 bps) had a very challenging three months. Given Royal London's large allocation of circa 48% of the fund, their top performing stocks drove the lion's share of the quarter outperformance. Their top contributors came from diverse industries such as steel (Reliance Steel), software services (Constellation Software), trucking (Old Dominion Freight Line) and internet retail (Amazon). Technology stocks benefitted over the quarter after the emergence of issues in the US banking sector led to a rapid rotation away from large financials and into the suitable safer haven of large and liquid technology and communications stocks. WCM contributed to the outperformance owing to strong performance by holdings such as Old Dominion Freight Line, Microsoft, LVMH and Ferrari. NAME's underperformance over the quarter can be attributed to 1) an overweight to the poor performing healthcare sector, 2) poor stock selection in the healthcare sector, and 3) significant underweight to the top performing communication services and information technology sectors. While they had good performance by names such as Booking Holdings, Amadeus IT Group and Palomar Holdings, many of their midcap healthcare names (AdaptHealth, Encompass Health and LivaNova plc) struggled. Shares in Box, Inc. also fell more than 10% over the quarter after slightly disappointing results, where management noted a 10% reduction in technology investment spending by their customers.

Key Facts

Distributions Generally does not distribute

Hedging Any foreign currency exposure is gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

Exclusion **A**ny 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	Strategy size
October 2008	$93.5M

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

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