

NIKKO AM GLOBAL EQUITY MULTI-MANAGER UNHEDGED STRATEGY

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

Market Overview

- Global share markets experienced steady gains over the quarter.
- The US central bank's decision to maintain steady interest rates was the first time in over a year that they did not opt for an increase. This decision led to a surge in the last week of the quarter.
- US equities benefitted from strong gains in growth sectors, driven by the rise of artificial intelligence (AI), while Chinese equities continued to struggle.
- Japanese equities also outperformed, while India was an outlier among the major emerging markets (which generally underperformed).

Fund Highlights

- The fund posted a solid return of 11.4% over the quarter, well ahead of benchmark.
- Royal London was once again the top contributor with an active return of 5.33%, followed by WCM with 0.43% and NAME with a disappointing 0.12%.
- The top five contributors to the fund's outperformance in June were overweight positions from a range of sectors and industries - Eli Lilly and Co, Thor Industries, Microsoft Corp, Amazon.com and Delta Airlines.
- Key detractors from performance were underweight positions to mega cap winners including – Apple Inc, Meta Platforms and Tesla Inc.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	4.41%	11.40%	22.92%	15.70%	13.55%	13.82%
Benchmark ²	3.51%	8.43%	18.26%	12.84%	10.28%	11.41%
Retail ³	4.29%	11.59%	20.01%	14.74%	12.38%	12.68%

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.

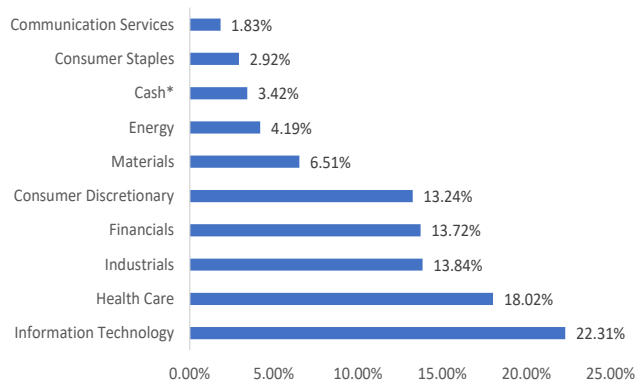
Overview

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	% of Fund	Country	Manager	Allocation	Active Return
Microsoft Corp	6.81%	United States	NAM Europe	23.43%	0.12%
Amazon Com Inc	3.63%	United States	Royal London	48.88%	5.33%
Unitedhealth Group Inc	3.31%	United States	WCM	26.37%	0.43%
Visa Inc	2.82%	United States	Cash & Derivatives	1.32%	n/a
Old Dominion Freight Line Inc	2.21%	United States			
Steel Dynamics Inc	2.15%	United States			
Lilly (Eli) & Co Usd	2.15%	United States			
Hca Healthcare Inc	2.14%	United States			
Progressive Corp	2.10%	United States			
Apple Inc	1.97%	United States			

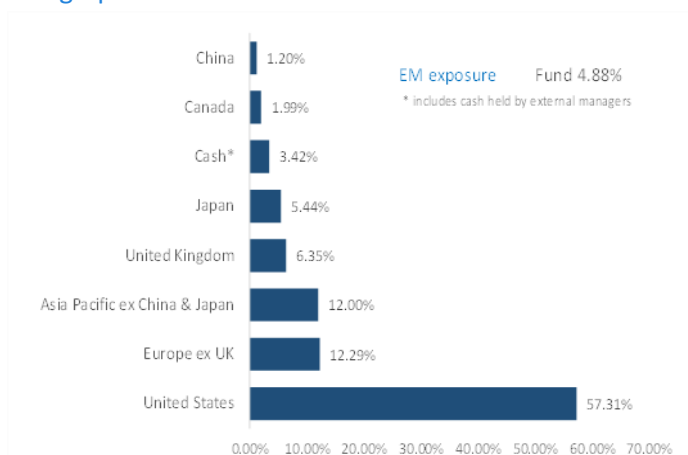
What helped	What Hurt
Eli Lilly and Co	O/W Progressive Corp
Thor Industries	O/W Apple Inc
Microsoft Corp	O/W Meta Platforms

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

Market Commentary

Global share markets experienced steady gains over the quarter. However, it was during the last week of the quarter that markets witnessed a significant surge – led by the US. This surge was triggered by the decision of the US central bank in mid-June no to raise rates. The US Federal Reserve kept the target for its benchmark rate at 5% to 5.25% (following 10 interest rate hikes since March 2022), saying it wanted time to assess the impact of rate hikes so far. The MSCI All Countries World Index gained 8.43% (NZD, unhedged) over the quarter, with developed markets outpacing emerging markets. US equities benefitted from strong gains in growth sectors, driven by the rise of artificial intelligence (AI), while Chinese equities continued to struggle. Japanese equities also outperformed, while India was an outlier among the major emerging markets (which generally underperformed). Growth also trumped Value over the quarter, as information technology and consumer discretionary outperformed financials, energy and materials.

Geographical allocation



Fund Commentary

In the June quarter the fund returned 11.40% to outperform the benchmark return of 8.43% by a substantial margin of 297 basis points (bps). Of the underlying managers, Royal London was once again the top contributor with a return of 13.76%, followed by WCM with 8.86% and NAME with 8.18%.

Royal London’s impressive outperformance during the June quarter, was largely attributed to its superior stock selection across sectors and industries, for example healthcare, consumer discretionary, information technology, industrials and materials. WCM has recovered well from a very poor first half of 2022. Their top performing holdings over the June quarter include Microsoft, Amazon, Datadog, Entegris and Booz Allen Hamilton. As with any multi-manager configuration, there will often be one manager out of step with the rest, and this time it is NAME whose performance has struggled to keep up with the benchmark over the first half of 2023. Although the NAME portfolio delivered a very respectable return of 13.02% over the first six months of 2023, it unfortunately lagged the benchmark return of 17.62% by 459 bps. One reason for this underperformance is their underweight exposure to mega cap winners and AI in 2023, specifically zero exposure to Apple, Alphabet, Nvidia and Meta Platforms. While Apple still has high return on capital credentials, NAME thinks it looks like a low growth defensive company with limited valuation support. Time will tell. In addition to being underweight a small cohort of AI-related outperformers, their expectation that energy transition, travel and healthcare efficiency plays would be this cycle’s leaders, has evidently been premature. NAME’s Future Quality strategy actively seeks companies with a journey of improving returns on capital over multi-year time horizons. While they won’t stray from this approach, during the first half of 2023 they’ve had on balance more negatives than positives so far. We continue to monitor NAME’s portfolio closely for signs of improvement, but in the meantime retain the overweight exposure to Royal London’s style neutral portfolio, which fills many of the gaps in NAME’s portfolio (for example Apple, Nvidia, Alphabet).

Key Facts

Distributions Generally does not distribute

Hedging Any foreign currency exposure is unhedged

Exclusion: 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

\$222.9m

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

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