

Factsheet 31 July 2023

# 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 equity markets continued their march north in July.
- Since the first US interest rate hike in March 2022, the MSCI All Countries World Index has now gained 17%.
- Value (2.56%) outperformed Growth (1.63%) in July, while emerging markets (4.64%) outperformed their developed peers.
- The energy and communication services sectors both returned almost 5% each, while the materials and financial sectors also outperformed.
- Defensive sectors such as healthcare, utilities and consumer staples were the worst performers.

## Fund Highlights

- The fund posted a positive return of 1.08%, albeit below its benchmark of 2.05%.
- All fund managers lagged the benchmark - Royal London to a lesser extent.
- The top three contributors to the fund's performance were overweight positions from a range of sectors and industries – Old Dominion Freight Line, Thor industries, Datadog Inc.
- The three key detractors from performance were overweight positions in HCA Healthcare, Progressive Corp and Microsoft Corp.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	1.08%	8.39%	16.04%	14.99%	13.46%	13.76%
Benchmark <sup>2</sup>	2.05%	7.69%	13.76%	12.95%	10.20%	11.40%
Retail <sup>3</sup>	1.55%	8.27%	16.28%	13.79%	12.39%	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 <sup>1,2</sup>



## 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.

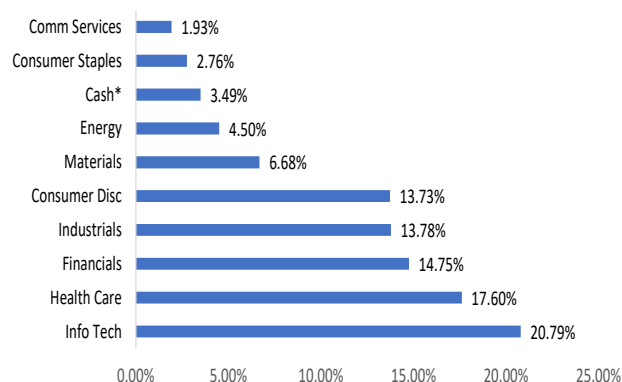
## Overview

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	6.50%	United States	NAM Europe	23.55%	-1.45%
Amazon	3.65%	United States	Royal London	48.41%	-0.65%
Unitedhealth	3.57%	United States	WCM	26.61%	-1.10%
Visa	2.71%	United States	Cash & Derivatives	1.43%	n/a
Old Dominion Freight Line	2.35%	United States			
Thor Industries	2.13%	United States			
Steel Dynamics	2.06%	United States			
Lilly (Eli)	2.04%	United States			
Progressive Corp	1.96%	United States			
Apple	1.95%	United States			

What helped	What Hurt
Old Dominion Freight Line	O/W HCA Healthcare
Thor Industries	O/W Progressive Corp
Datadog	O/W Microsoft

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

### Market Commentary

Global equity markets continued their march north in July, with the benchmark MSCI All Countries World Index gaining 2.05% (NZD, unhedged) over the month. This marked the seventh consecutive month of positive returns. Since the first US interest rate hike in March 2022, the MSCI All Countries World Index has now gained 17% and the much-anticipated recession has yet to materialise. In terms of investment styles, Value (2.56%) outperformed Growth (1.63%) in July, while emerging markets (4.64%) outperformed their developed peers. The energy and communication services sectors both returned almost 5% each, while the materials and financial sectors also outperformed. Defensive sectors such as healthcare, utilities and consumer staples were the worst performers. The performance of major developed equity markets was generally uninspiring over the month, except for the equity markets of Norway, Belgium, Ireland and Italy. Emerging markets were boosted by very strong returns in Turkey, South Africa, China, and South Korea. The top individual contributors to the benchmark’s performance in July were Nvidia, Alphabet, Meta Platforms, JP Morgan Chase and Alibaba Group.

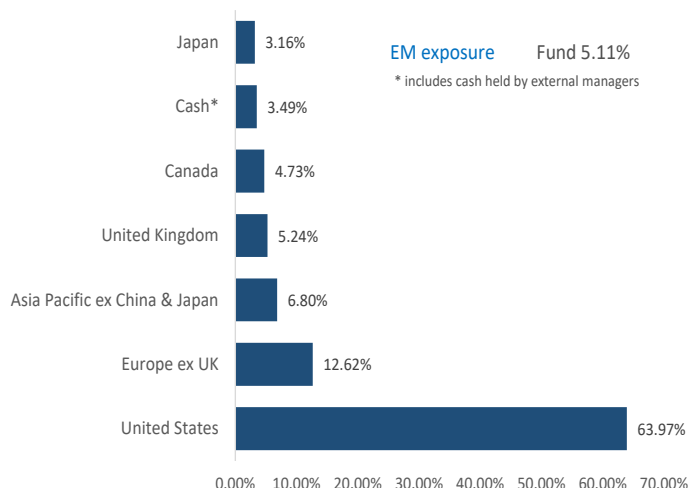
### Fund Commentary

The Fund returned 1.08% (gross of fees) in July to underperform the benchmark return of 2.05% by 97 basis points (bps). All three of the underlying managers underperformed this month, with Royal London returning 1.40%, WCM returning 0.95% and NAME returning a rather disappointing -0.40%. The fund’s longer-term performance remains very strong in absolute and relative terms.

For the aggregate fund, the month’s underperformance was a result of both sector allocation and stock selection effects. The overweight to the underperforming healthcare sector, and the underweight to the outperforming communications services sector, were the main negative allocation effects. For stock selection, the main detractors were in the materials, healthcare and information technology sectors. The industrials sector was the main source of positive stock selection. At an individual stock level, the North American less-than-truckload business Old Dominion Freight Line (ODFL) was the top contributor to performance, after the share price rose more than 10% to over USD 400 per share. The fund also benefitted from strong gains by the recreational vehicle maker Thor Industries, the data monitoring and analytics platform provider Datadog, the South Korean bank, KB Financial Group, and the Japanese company, Sumitomo Mitsui Financial Group.

The top detractors from performance were names which have performed very well in the past – the world’s largest for-profit hospital operator HCA Healthcare, the property & casualty insurer Progressive and the world’s largest software company Microsoft. Rounding out the top detractors were the lesser-known names, Hexagon AB and Masimo Corp, which both fell more than 20%. The month’s top performer, ODFL, held by Royal London and WCM, shrugged off the collapse of Yellow, one of America’s largest trucking companies. Operators such as ODFL have seen a surge in business since mid-July when Yellow’s downfall accelerated, and customers began abandoning the company. ODFL is a non-union LTL carrier, operating with more than 12,000 drivers, 255 service centre locations all over the United States. Its value-added logistics services include container drayage, truckload brokerage, supply chain consulting and warehousing.

### Geographical allocation



### 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**

\$224.3m

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

**Contact Us** [www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor’s objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on [nikkoam.co.nz](http://nikkoam.co.nz).