

Factsheet 31 August 2023

# NIKKO AM GLOBAL EQUITY MULTI-MANAGER HEDGED STRATEGY

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

## Market Overview

- Most global equity markets posted negative returns in US dollar terms in August.
- Emerging markets continued their poor spell although India was one of the few emerging markets exceptions.
- The energy sector was the month's top performer followed by healthcare, information technology and communication services.
- Utilities, materials and financials all underperformed in August.

## Fund Highlights

- The fund had a negative return of -0.50% ahead of its benchmark return of -2.05%.
- Of the underlying managers, Royal London was the major driver of the outperformance over the month.
- The top three contributors to the fund's performance were overweight positions in Eli Lilly & Co, Admiral and Arista Networks.
- The three key detractors from performance were overweight positions in Adyen, Datadog and Thor industries.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-0.50%	8.21%	15.94%	9.29%	9.50%	11.64%
Benchmark <sup>2</sup>	-2.05%	6.55%	10.37%	6.03%	5.91%	9.25%
Retail <sup>3</sup>	-0.07%	7.06%	13.47%	7.72%	7.91%	10.06%

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) 100% 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 <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.

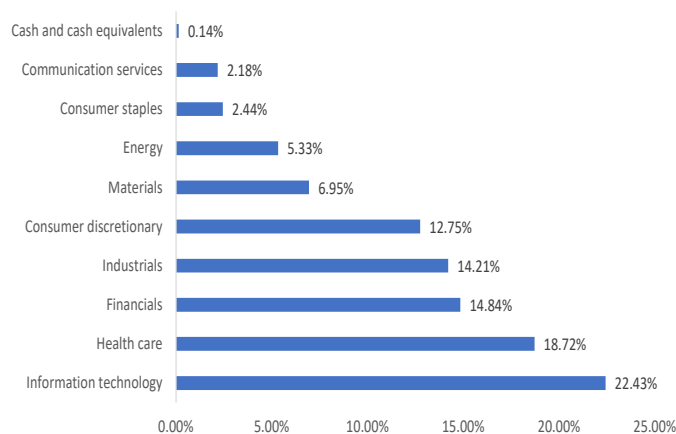
## Overview

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 gross hedged at 100% 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.

## Asset Allocation



Top 10 Holdings	% of Fund	Country	Manager	Allocation	Active Return
Microsoft	6.58	United States	NAM Europe*	23.33%	0.55%
Amazon	3.89	United States	Royal London	49.24%	3.37%
Unitedhealth	3.47	United States	WCM	26.08%	-0.47%
Visa	2.91	United States	Cash & Derivatives	1.35%	n/a
Eli Lilly & Co	2.54	United States	*Includes NZD Cash Based on unhedged performance		
Old Dominion Freight Line	2.47	United States	<b>What helped</b>	<b>What Hurt</b>	
Nvidia	2.34	United States	Eli Lilly & Co	O/W Adyen	O/W
Progressive	2.14	United States	Admiral	O/W Datadog	O/W
Steel Dynamics	2.10	United States	Arista Networks	O/W Thor Industries	O/W
Thor Industries	1.98	United States	OW: overweight; UW: underweight; NH: no holding – month end position		

**Market Commentary**

Most global equity markets posted negative returns in US dollar terms in August, with the MSCI All Countries World Index returning -2.73% USD-unhedged. The outperformance of the equity markets of the United States and Japan were the main highlights in August, while the United Kingdom and Europe ex-UK lagged. Emerging markets continued their poor spell with a return of -1.89%, dragged down by the equity markets of China, Brazil and South Korea. India was one of the few emerging markets exceptions with a return of 2.58%. The energy sector was the month’s top performer with a return of 5.94%, followed by healthcare, information technology and communication services. Utilities, materials and financials all underperformed in August. Regarding style performance, quality (3.37%) and growth (1.92%) outperformed, while value (1.33%) underperformed.

**Fund Commentary**

The Fund returned -0.50% in August to outperform the 100% NZD hedged Benchmark return of -2.05%. Of the underlying managers, in unhedged terms, Royal London was the major driver of the outperformance, returning a mammoth 4.97% over the month. NAME (2.88%) also outperformed, while WCM (1.13%) struggled with a few stock selection issues. The fund’s longer-term performance remains very strong in absolute and relative terms. As is often the case, stock selection drove almost all the outperformance in August, with minor contribution by sector allocation and foreign currency effects. The stock selection effect was strongly positive in the financials, healthcare, and materials sectors, while the Fund’s overweight position in the outperforming healthcare sector also added value. An underweight allocation to the top performing energy sector, and an overweight position in the underperforming materials sector detracted from performance.

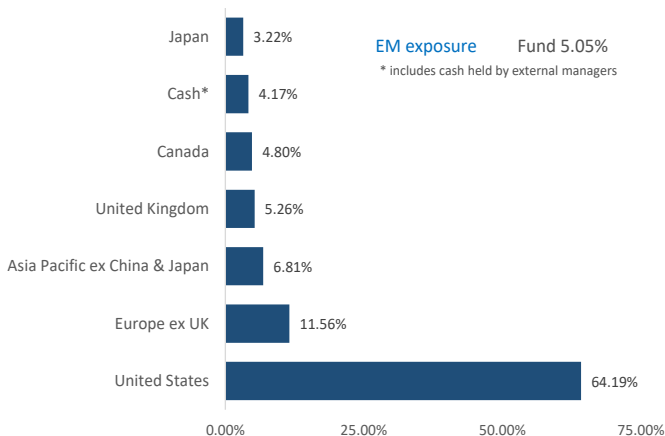
At an individual stock level, the world’s now largest healthcare company by market cap, Eli Lilly & Co, surged 27% on the back of positive sentiment generated by its recent results. The results were driven in part by the strength of Mounjaro, an injectable prescription medicine that is used along with diet and exercise to improve blood sugar (glucose) in adults with type 2 diabetes. The UK car insurer Admiral Group was another top performer, its share price gaining almost 20% after the company reported strong first-half results. The main driver of these were Admiral achieving growth through significant price increases, despite auto insurance customer numbers falling in the UK. Arista Networks was the Fund’s top performer in August with a return of 31%. Arista makes networking hardware for data centres (Microsoft and Meta Platforms are among its biggest customers) and stands to benefit as companies spend to bulk up on artificial intelligence capabilities.

The main detractors from performance were Adyen, the Dutch payments processing business where the share price plunged 53% after the company reported weaker than expected results.

Recreational vehicle (RV) manufacturer Thor Industries also gave back some performance in August following a strong July. Reports from RV dealers suggest that July RV sales remain down year-on-year, although there is some recovery sequentially.

Finally, the US health insurance provider UnitedHealth Group retreated in August based on suggestions that higher costs in Medicare Advantage plans will mean lower margins for care plans.

**Geographical allocation**



**Key Facts**

<b>Distributions</b> Generally does not distribute	<b>Estimated annual fund charges (Incl. GST)</b>
<b>Hedging</b> Any foreign currency exposure is gross hedged at 100% to NZD. The permitted operational hedging range is 95% to 105%.	Wholesale: negotiated outside of the unit price Retail: 1.42%, refer PDS for more details
<b>Exclusion</b> Any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009. Investment prohibited in tobacco manufacturers.	<b>Buy/Sell spread</b> 0.07%/0.07%
	<b>Strategy Launch</b> October 2008
	<b>Strategy size</b> \$103.2m

**Compliance**

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

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