

# 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

- Equity markets weakened significantly in September as markets reacted to rising oil prices and a rise in bond yields, with the US 10 year reaching 4.5% by quarter end.
- The Energy sector was the best performing sector this quarter, as the oil price rose towards USD100 per barrel.
- Information Technology, Consumer Discretionary and Industrials all fell more than the market.
- Europe and resource-heavy markets such as Australasia and Canada underperformed as concerns grew over the world's economic performance.

## Fund Highlights

- The fund and benchmark returns were negative over the quarter with the fund lagging the benchmark.
- Positive attributors for the quarter – Samsonite International S.A., Booking Holdings Inc., Schlumberger N.V., ChampionX Corporation, PT Bank Mandiri (Persero) Tbk.
- Negative attributors for the quarter – Masimo Corporation, Hexagon AB, Amadeus IT Group SA.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale <sup>1</sup>	-5.53%	-3.37%	7.37%	7.88%	10.16%
Benchmark <sup>2</sup>	-5.00%	-1.51%	13.73%	10.35%	8.58%
Retail <sup>3</sup>	-5.10%	-2.65%	6.93%	6.90%	9.07%
KiwiSaver <sup>3</sup>	-5.11%	-2.65%	6.99%	7.00%	9.44%

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, \$10,000 invested<sup>1, 2</sup>



## 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.

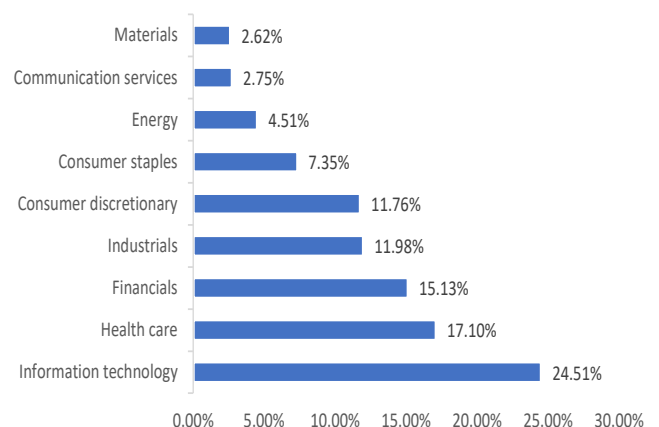
## Overview

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.

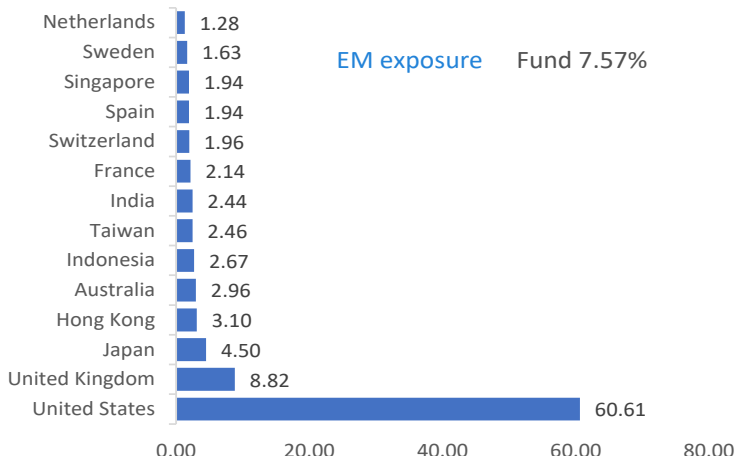
## Sector Allocation



### Top 10 Holdings

Security name	% of Fund	Country
Microsoft	6.74	United States
Nvidia	3.51	United States
Accenture	3.45	Ireland
Samsonite	3.07	Luxembourg
Haleon	3.06	United Kingdom
Worley	2.94	Australia
Kbr	2.86	United States
Synopsys	2.85	United States
Schlumberger	2.85	United States
Compass Group	2.77	United Kingdom

### Geographical Allocation



### Market Commentary

Equity markets weakened significantly in September (with the MSCI ACWI falling 5% in NZD terms) as markets reacted to rising oil prices and a rise in bond yields, with the US 10-year reaching 4.5% by quarter end – surpassing the levels that preceded the swoon in markets towards the end of 2022. This more than offset gains made earlier in the quarter. The Energy sector was the best performing sector this quarter, as the oil price rose towards USD100 per barrel on evidence of maintained supply discipline by OPEC+ and with the US pausing its drawing down of its Strategic Petroleum Reserve. Other cyclical sectors fared less well, however. Information Technology, Consumer Discretionary and Industrials all fell more than the market. That is not to say that traditional defensives all outperformed. Whilst parts of Healthcare and Communication Services did beat the market, the more yield-sensitive sectors (Real Estate and Utilities) underperformed to a greater extent than the cyclicals. Financials outperformed in Q3, as both banks and insurance shares responded positively to September’s rise in bond yields, and the associated steepening of the yield curve. Regionally, Europe and resource-heavy markets such as Australasia and Canada underperformed as concerns grew over the world’s economic performance. Japan, on the other hand, resumed the outperformance that the country had enjoyed earlier in the year. Its relatively closed economy and its relative value tilt likely helped. The US performed broadly in line with the benchmark this quarter.

### Fund Commentary (notable impact on returns in Q3 2023)

**Positives:** **Samsonite International S.A.** and **Booking Holdings Inc.** were amongst the best performing stocks held this quarter. Whereas Booking responded well to good results in July, Samsonite was particularly strong in August, on the back of its own strong set of quarterly numbers, with sales in all regions returning to pre-Covid levels and significantly stronger margins as a result of the new expense structure. Management commentary on continued global travel demand was very encouraging. **Schlumberger N.V.** and **ChampionX Corporation** both benefitted from the renewed strength in the oil price, as investors weighed the likely impact of continuing tight control over production rates by OPEC+, at the same time as the US stopped drawing down its Strategic Petroleum Reserve. These more than offset mounting concerns over economic growth (and demand for oil), until towards quarter end. **PT Bank Mandiri (Persero) Tbk** performed well during the quarter. The share price had consolidated over the course of the year. Results in the latter part of July were strong. Loan growth grew 12% and margins improved. Importantly asset quality was also very strong and non-performing loans declined.

**Negatives:** **Masimo Corporation** was weak after a profit warning issued in July. The drivers of the disappointing financial performance impacted both their Healthcare and non-Healthcare businesses. In Healthcare, they saw some contracts slip into H2 as hospitals continued to struggle with staffing challenges and capital budget pressures. In non-Healthcare, the problem was slowing US housing activity, which impacts their consumer audio business. **Hexagon AB** shares declined following a short report which alleged that organic growth had been exaggerated, the ex-CEO’s investment company – Greenbridge – had been frontrunning Hexagon investments, and that Hexagon had been buying mature earnings with low growth. We are not convinced that organic growth has been exaggerated because the company is compliant with accounting rules and has been open about the fact that a reasonable proportion of growth is acquisition related. The stock looks oversold because of the short report. **Amadeus IT Group SA** underperformed as concerns grew that the rate of recovery in their travel booking business may be slowing – particularly in Europe, in sympathy with broader gauges of economic activity. With the company continuing to invest in their long-term growth drivers, this could lead to some short-term margin pressure.

### 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	\$555.3m

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

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