

# Nikko AM Global Shares Unhedged Strategy

Monthly Update 29 February 2024

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 were in a good mood in February, rising over 4% during the month.
- The composite Purchasing Managers' Index (PMI) suggested activity continued to expand over February with the US economy adding 353,000 jobs.
- Consumer Discretionary was the best performing sector, closely followed by Information Technology.
- Most commodities fell over the month, leading to underperformance for the Materials and Energy sectors.

## Fund Highlights

- The fund posted a return of 7.75% for the month, ahead of its benchmark of 5.37%.
- Key contributors for the month were NVIDIA Corporation, Meta Platforms Inc and Samsonite International S.A.
- Key detractors were Sony Group Corporation, Amadeus IT Group SA and HDFC Bank Limited.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	7.75%	16.46%	23.38%	11.15%	14.80%	
<b>Benchmark<sup>2</sup></b>	5.37%	11.46%	25.23%	13.28%	13.01%	
<b>Retail<sup>3</sup></b>	5.76%	15.16%	19.68%	9.93%	13.55%	
<b>KiwiSaver<sup>3</sup></b>	5.78%	15.20%	19.78%	10.04%	13.85%	

1. Returns are before tax and before the deduction of fees and including tax credits (if any). 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.

## 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.

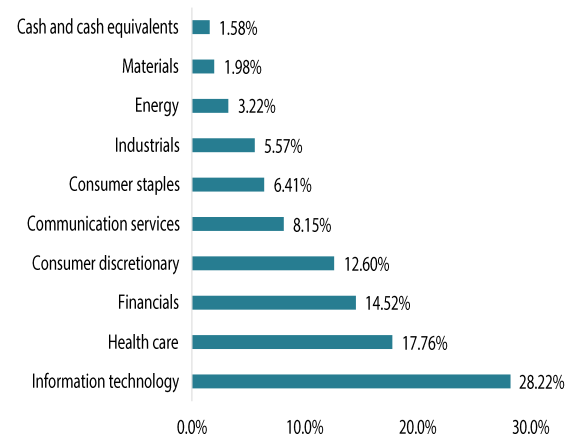
## Objective

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

## Five Year Cumulative Performance, \$10,000 invested<sup>1,2</sup>



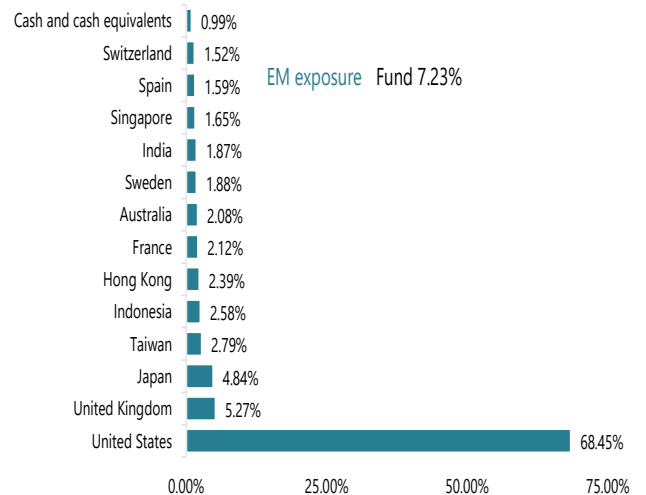
## Sector Allocation



## Top 10 Holdings

	% of Fund	Country
Microsoft	7.46	United States
Nvidia	5.94	United States
Facebook	4.44	United States
Netflix	3.70	United States
Abbott Labs	3.07	United States
Broadcom	2.92	United States
Taiwan Semicon Manufacturing	2.77	Taiwan
Cencora	2.74	United States
Compass	2.64	United Kingdom
Haleon	2.60	United Kingdom

## Geographical Allocation



## Market Commentary

Equity markets were in a good mood in February, rising over 4% during the month, as inflation figures continued to 'normalise' and investors anticipated lower funding costs at some point later in the year. Returns were also supported by a strong earnings season. Market concentration and AI continued to write the narrative, with 4 of the 'Magnificent 7' reporting strong results and contributing to the US market which yet again outperformed global indices. Economic data also proved resilient in the US, with the composite Purchasing Managers' Index (PMI) suggesting activity continued to expand over February and the US economy adding 353,000 jobs. While Japan technically moved into recession, Germany surpassed Japan and became the third largest economy on the globe. Yet none of that mattered much, as the Japan main index, the TOPIX, continued its run, reaching new highs passing those it had achieved in the bubble markets of the late 80's. This was undeniably helped by the Japanese Yen falling 2.3% against the US dollar, given the exporting nature of many Japanese companies. Despite improving PMI data, suggesting that the worst of the economic contraction on the continent is over, European markets underperformed. However, it was the UK that had the unfortunate honour of combining minimal gains over the month, entering a recession. Finally, it was pleasing to see GEM Asia, and to an extent Chinese markets, recover after the Chinese New Year. The Chinese authorities announced a number of supporting policies, including a cut to bank rates, which underpinned a recovery in Asian markets. Time will tell if the Year of the Dragon breathes fire or not. AI continued to dominate the financial air waves and corporate earnings; however, it was Consumer Discretionary that was the best performing sector with the Information Technology sector a close second. Perhaps what was surprising was the strong performance from Industrials, given low PMI readings and ongoing destocking over the last few months. Most commodities fell over the month, leading to underperformance for the Materials and Energy sectors. The defensive sectors - Healthcare, Real Estate, Consumer Staples and Utilities - were again underperformers during the month, albeit the Healthcare sector's underperformance was marginal.

## Fund Commentary

**Contributors: NVIDIA Corporation** continued to outperform this month after the company published results that beat already-elevated market expectations. Management commented that AI GPU demand continues to outstrip supply and is confident in growth for the foreseeable future, confirming a more prolonged ramp for the AI ecosystem. **Meta Platforms Inc.** Class A shares outperformed on the back of better-than-expected quarterly results at the beginning of February. The pivot in capex instigated last year and the conscious decision to reinvest in core Facebook platforms (Reels) have increased user engagement as well as driven a sharp acceleration in advertising revenue. **Samsonite International S.A.** shares soared at the end of the month after the market speculated that private equity may be interested in acquiring the business, a potentially value-creative move. The company has refrained from commenting on the issue.

**Detractors: Sony Group Corporation** struggled to perform in February after the company published lacklustre medium-term guidance and continues to expect structural challenges in the gaming segment to dampen profit growth. The company subsequently announced that it would be laying off 900 employees in the gaming business and closing down the London studio. **Amadeus IT Group SA** struggled to perform ahead of its quarterly results at the end of the month as investors feared that an accelerated decline in the use of travel-booking services would challenge the outlook for the company. **HDFC Bank Limited** shares continued to struggle in February as concerns over short-term margins, growth and merger-related weakness dominate sentiment around the stock.

## Key Fund Facts

<b>Estimated annual fund charges</b>		<b>Distributions:</b> Generally does not distribute	<b>Strategy Launch:</b> July 2017
<b>Wholesale:</b>	Negotiated outside of the unit price.	<b>Exclusions:</b> Controversial weapons. Tobacco manufacturers.	<b>Strategy size:</b> \$646.3m
<b>Retail:</b>	1.20%, refer to PDS for more details.	<b>Restrictions:</b> Adult entertainment, gambling, fossil fuels, alcohol stocks. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="http://nikkoam.co.nz/invest/retail">nikkoam.co.nz/invest/retail</a> .	<b>Buy / Sell spread:</b> 0.07%/0.07%
<b>KiwiSaver:</b>	1.15% refer to PDS for more details.		

## 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)

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