

Nikko AM Global Equity Multi-Manager Unhedged Strategy

Monthly Update 31 March 2024

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

- This quarter stands out as the best calendar quarter since Q2 of 2015.
- Global equities, as measured by the MSCI All Countries World Index, surged 14.53% (NZD, unhedged) over the quarter.
- Quality emerged as the best performing style during the quarter.
- Emerging markets lagged developed markets.
- The quarter's top performing sectors were information technology and communication services, while consumer staples, materials, utilities and real estate lagged the benchmark.

Fund Highlights

- The fund performed well over the month and quarter, ahead of its benchmark.
- The fund's top contributors over the quarter outperformance were overweight position in the AI leader Nvidia Corp, and underweight positions in Apple and Tesla.
- The key individual detractors from performance were the managed healthcare business UnitedHealth Group, the automotive retailer Lithia Motors and the Finland-based forestry products company UPM-Kymmene.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	5.49%	20.04%	40.38%	16.85%	18.85%	15.89%
Benchmark²	5.05%	14.53%	28.88%	12.73%	13.86%	12.77%
Retail³	5.19%	19.08%	38.63%	15.34%	17.46%	14.54%

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.

Five Year Cumulative Performance, \$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 Portfolio Manager, Alan Clarke.

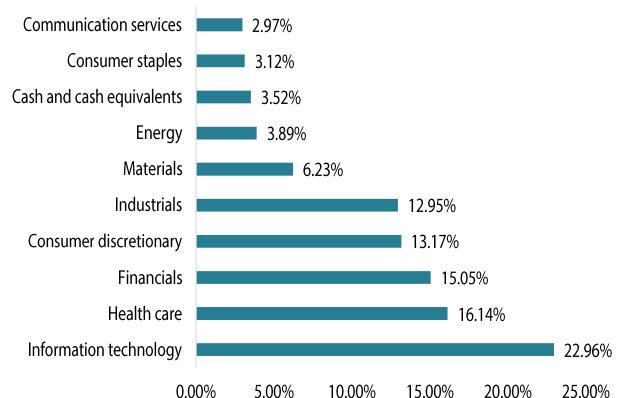
Overview

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
Microsoft	6.27	United States
Amazon	4.08	United States
Nvidia Corp	3.84	United States
Unitedhealth	2.89	United States
Progressive	2.16	United States
Steel Dynamic	2.11	United States
Safran	1.98	France
Visa	1.97	United States
Constellation Software	1.71	Canada
Thor Industries	1.69	United States

Manager	Allocation	Active Return
NAM Europe & NZD Cash	23.32%	5.11%
Royal London	48.69%	5.08%
WCM	27.11%	6.47%
Cash & Derivatives	0.88%	n/a

Based on unhedged performance

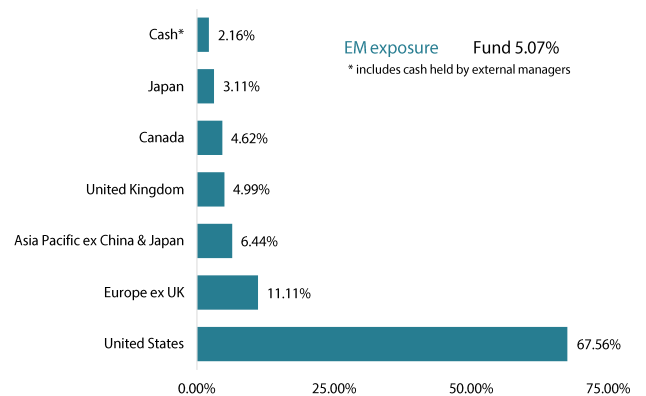
What helped	What hurt
Apple	U/W UnitedHealth O/W
Nvidia	O/W Lithia Motors O/W
Tesla	U/W UPM-Kymmene O/W

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

Market Commentary

Global equities, as measured by the MSCI All Countries World Index, surged 14.53% (NZD, unhedged) over the first quarter of 2024, this quarter stands out as the best calendar quarter since Q2 of 2015, when the global equity index gained 11.27%. This performance was well ahead of domestic equities, with the S&P/NZX 50 Index (Gross with Imputation) returning only 3.13% over the same period. Global equity gains were distributed evenly over the quarter, with returns of 3.46% in January, 5.37% in February and 5.05% in March. Quality emerged as the best performing style during the quarter with an impressive return of 17.94%, while Growth (15.96%) outperformed Value (13.31%). Emerging markets lagged developed markets with a return of 8.43%. Similarly, global small and mid-cap stocks returned 11.25%, trailing behind the returns of global mega caps, as measured by the S&P Global 100 Index, which returned 17.54%. The quarter's top performing sectors were information technology and communication services, while consumer staples, materials, utilities and real estate lagged the benchmark by quite a margin. Mega cap US technology stocks such as Nvidia, Microsoft, Meta Platforms and Amazon were the key drivers of the benchmark's first quarter performance.

Geographical allocation



Fund Commentary

The fund returned 20.04% (gross of fees) over the quarter to outperform the benchmark return of 14.53% by 551 basis points (bps). All three underlying managers played a significant role in achieving this strong result with NAME (20.16%) and WCM (21.00%) leading the charge followed by Royal London (19.61%). For the full 2023/24 financial year, the fund's return of 40.38% is 1150 bps better than the global equity index return of 28.88%. Over the longer term the fund continues to produce excellent results – its 7-year return of 16.74% p.a. is 403 bps p.a. ahead of the benchmark return of 12.71% p.a. As always, stock selection was the key driver of the outperformance over the quarter, with marginal value detracted from sector allocation effects. The stock selection effect was equally strong in the information technology and financials sectors and combined accounted for about half of the value added. Only the energy sector had a negative stock selection effect. Regarding sector allocation, the main negatives came from the underweight exposure to the outperforming communication services sector, and the overweight to the underperforming materials sector. The key positive sector allocation effects came from underweights to the poor performing real estate, utilities and consumer staples sectors.

The fund's top individual contributors for the quarter's outperformance were overweight positions in the AI leader Nvidia Corp, the property & casualty insurer Progressive Corp and the French aerospace equipment maker Safran SA. An underweight to Apple, which fell 5%, and no exposure to Tesla, which returned -25% over the quarter, also added significant value. The key individual detractors from performance were the managed healthcare business UnitedHealth Group, the automotive retailer Lithia Motors and the Finland-based forestry products company UPM-Kymmene.

Key Fund Facts

Estimated annual fund charges (incl. GST)		Distributions: Generally does not distribute	Strategy Launch: October 2008
Wholesale:	Negotiated outside of the unit price.	Exclusions: Any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009. Investment prohibited in tobacco manufacturers	Strategy size: \$304m
Retail:	1.42%, refer to PDS for more details.		Buy / Sell spread: 0.07%/0.07%
Hedging:	Any foreign currency exposure in unhedged.		

Compliance

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

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