

# Nikko AM Global Shares Unhedged Strategy

Monthly Update 31 March 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

- Global equities posted strong returns and volatility remained low.
- The US economy was confirmed to have grown more than expected, while PMI survey data remained firmly in expansionary territory, boosting investor sentiment.
- The best performing market of the quarter was Japan.
- Emerging Market equities significantly underperformed their developed market peers.

## Fund Highlights

- The fund performed well over the month and quarter, ahead of its benchmark.
- Key contributors for the quarter were NVIDIA Corporation, Palomar Holdings, Inc and Meta Platforms Inc.
- Key detractors were HDFC Bank Limited, Sony Group Corporation and Worley 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>	5.78%	20.16%	30.15%	11.16%	15.60%	
<b>Benchmark<sup>2</sup></b>	5.05%	14.53%	28.88%	12.73%	13.86%	
<b>Retail<sup>3</sup></b>	5.72%	19.62%	29.70%	9.78%	14.26%	
<b>KiwiSaver<sup>3</sup></b>	5.73%	19.69%	29.84%	9.85%	14.53%	

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.

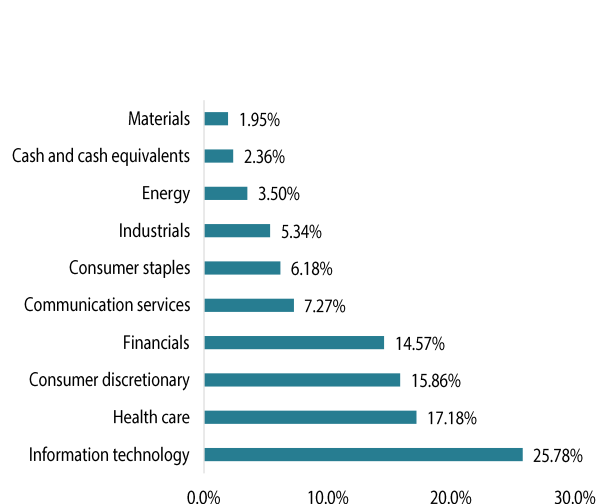
## Objective

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>



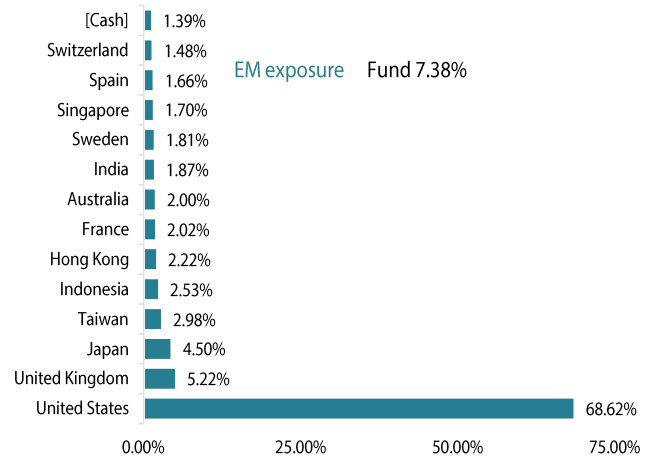
## Sector Allocation (Includes cash in NZ PIE)



## Top 10 Holdings

	% of Fund	Country
Microsoft	6.73	United States
Nvidia	5.50	United States
Facebook	3.71	United States
Netflix	3.55	United States
Amazon	3.47	United States
Taiwan Semicon Manufacturing	2.95	Taiwan
Broadcom	2.83	United States
Abbott Labs	2.80	United States
Compass	2.68	United Kingdom
Encompass Health	2.55	United States

## Geographical Allocation (Includes cash in NZ PIE)



## Market Commentary

Resilient economic data helped investors get into the northern hemispheres spring spirit during the first quarter of 2024. The US economy was confirmed to have grown more than expected, while PMI survey data remained firmly in expansionary territory, boosting investor sentiment. Macroeconomic data elsewhere around the world also showed encouraging signs. The debate over what type of landing appears to be all but gone – a soft landing it is. Global equities posted strong returns, while volatility remained low. Developed market equities had a strong first quarter thanks in large part to the performance of growth stocks. This was especially true in the US, where the S&P 500 rose ahead of global averages, driven by AI related stocks especially those within the Communications Services and IT sectors.

However, the best performing market of the quarter was Japan, despite the Bank of Japan beginning normalization of its monetary policy in March and announcing an end to its negative interest rate policy, yield curve control, and its purchases of equity exchange traded funds. The Japan market was also helped by a weak Yen, new NISA savings products driving increased money flows and low valuations relative to other developed markets.

While some European equity indexes, such as the French CAC 40, reached new all-time highs, European equities overall continued to lag the US and Japan, with the MSCI Europe ex-UK Index posting below par returns. European stocks did, however, end the quarter on a brighter note as global investors, concerned about the sustainability of returns in the US, turned to Europe where lower valuations attracted a catch-up trade. UK equities lagged most of their international peers, suffering from its value bias, as well as from the poor performance of the UK economy.

Emerging Market equities significantly underperformed their developed market peers as investors remained concerned about China's growth prospects and lack of stimulus, despite better economic activity data during the Lunar New Year holiday and some easing measures from the People's Bank of China.

## Fund Commentary

**Contributors: NVIDIA Corporation** shares climbed higher throughout the quarter. The company hosted its semi-annual GPU technology conference, which highlighted the significant runway for AI adoption and NVIDIA's central positioning within this ecosystem. The company's CEO talked about new Blackwell GPU architecture that offers significantly more compute power, software packages for custom and pre-trained models to support the future of enterprise AI, and their ability to bring robotics to the physical world through demonstrations with companies like Siemens. **Palomar Holdings, Inc.** continued to outperform following the release of strong FY23 results in February. We believe that there is a significant runway for top-line growth across the company's defined product segments: earthquake, inland marine, casualty and crop. **Meta Platforms Inc.** Class A shares outperformed on the back of better-than-expected quarterly results at the beginning of February.

**Detractors: HDFC Bank Limited** shares struggled in the quarter as concerns over short-term margins, growth and merger-related weakness dominate sentiment around the stock. **Sony Group Corporation** struggled to perform after the company published lackluster medium-term guidance and continues to expect structural challenges in the gaming segment to dampen profit growth. **Worley Limited** had a turbulent first quarter (Q1) despite ending up only marginally down. The shares sold off sharply in January on the back of losing a court case relating to corruption in Ecuador for work carried out between 2011 & 2017, under prior management. The company issued strong results in February and the shares have bounced hard off January lows.

## 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> \$634m
<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 quarter.

## Contact Us

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