

Factsheet 31 July 2021

NIKKO AM GLOBAL EQUITY HEDGED STRATEGY

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

Market Overview

- Global equity markets continued to rise in July, with most global equity indices reaching all-time highs during the month, helped by the ongoing strength in megacap US technology stocks like Microsoft and Apple.
- Information Technology and the Healthcare sector outperformed in July, outperforming defensive sectors where the long-term growth story is less obvious.
- Underperformers this month included Energy, where investors were unnerved by a mid-month fall of almost USD10 in the oil price.

Fund Highlights

- The fund returned 2.74% in July to outperform the benchmark return by a very large margin of 206 basis points (bps).
- Chinese equities fell substantially in July. While stock selection here via Tencent and WuXi Biologics detracted from performance, the fund's underweight to China added twice as much value than what was detracted from the exposures to Tencent and WuXi.
- Nil exposure to names such as Meituan, Pinduoduo, New Oriental Education, Baidu and Alibaba Group added significant value.
- Chinese interactive media holding company Tencent (listed in Hong Kong) was one of the top detractors from performance in July.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.74%	4.27%	38.20%	16.51%	15.68%	14.60%
Benchmark ²	0.68%	3.11%	33.25%	12.11%	13.11%	12.73%
Retail ³	3.12%	3.41%	37.09%	15.20%	14.53%	

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) 139% 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 1,2



Investment Manager

The multi-manager global equity strategy is managed by a multi-strategy team based across Sydney and Singapore. 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.

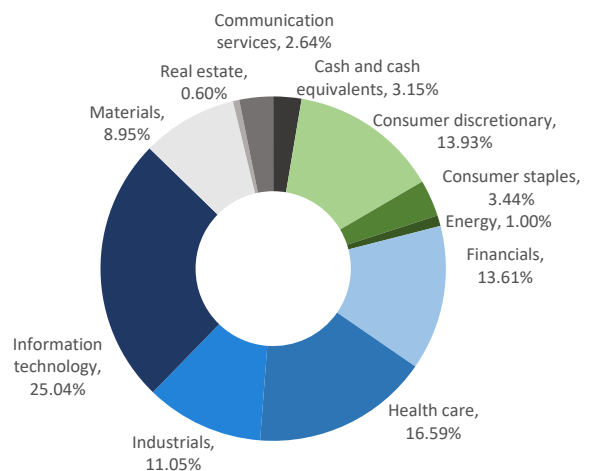
Overview

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 139% 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	Fund	MSCI	Country	Manager	Allocation	Active Return
Microsoft Corp	4.70	3.05	US	NAM Europe	29.47%	2.02%
Amazon Com Inc.	3.55	2.13	US	Royal London	43.12%	1.82%
Visa Inc.	2.64	0.63	US	WCM	26.11%	2.56%
Progressive Corp	2.10	0.08	US	Cash & Derivatives	1.30%	N/A
Steel Dynamics Inc.	2.07	0.02	US			
Anglo American Plc	2.04	0.09	South Africa			
Taiwan Semiconduct Manufacturing	2.03	0.76	Taiwan			
Constellation Software	1.98	0.05	Canada			
HCA Healthcare Inc.	1.97	0.10	US			
Old Dominion Freight Line Inc.	1.88	0.04	US			

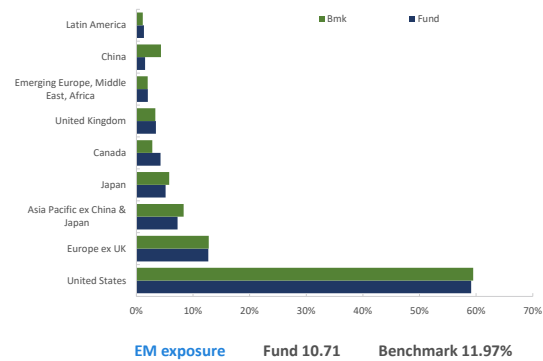
What helped	What Hurt
HCA Healthcare	OW Apple Inc
Anglo American	OW Tencent
West Pharma Services	OW KB Financial Group

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

Market Commentary

Global equity markets continued to rise in July, with most global equity indices reaching all-time highs during the month, helped by the ongoing strength in megacap US technology stocks like Microsoft and Apple. With bond yields continuing their recent declines in the US, discount rates have fallen too, and investors continued to seek the relative safety of visible growth stocks. The Information Technology sector wasn't only where growth was rewarded last month, as Healthcare also notably outperformed in July, outperforming defensive sectors where the long-term growth story is less obvious. There was renewed strength in the sub-sectors at the heart of the ongoing boom in Life Science research – particularly those providing the tools and services for this. Underperformers this month included Energy, where investors were unnerved by a mid-month fall of almost USD10 in the oil price. The rotation out of high beta sectors likely worked against it as well (Financials also underperformed this month). Consumer Discretionary failed to keep pace with markets, as sector heavyweights like Alibaba were hit by the Chinese regulatory crackdown noted above. The drop in Amazon's share price following its quarterly results at month end also added to the sector's woes.

Geographical Allocation



Fund Commentary

The fund returned 2.74% in July to outperform the benchmark return by a very large margin of 206 basis points (bps). While Growth (1.54%) continued its outperformance over Value (0.02%) in July, it was more impressive to see that the Fund's return of 2.86% exceeded that of the Quality index (2.24%). The underlying managers each use their own metrics for identifying quality companies, but they are broadly aligned with the MSCI ACWI Quality index which includes stocks with high return on equity (ROE), stable year-over-year earnings growth and low financial leverage. The Fund holds six stocks from the top 10 in the MSCI ACWI Quality index: Microsoft, Apple, Taiwan Semiconductor, Nvidia, Alphabet Class A and Visa Inc. The underlying managers all had solid outperformance in July, with WCM (3.36%) and NAME (3.18%) slightly better than Royal London (2.62%).

Chinese equities fell substantially in July. While stock selection here via Tencent and WuXi Biologics detracted from performance, the Fund's underweight to China added twice as much value than what was detracted from the exposures to Tencent and WuXi. Nil exposure to names such as Meituan, Pinduoduo, New Oriental Education, Baidu and Alibaba Group added significant value. Chinese interactive media holding company Tencent (listed in Hong Kong) was one of the top detractors from performance in July. Tencent fell 18% after announcing that it was suspending new user registration on its messaging service WeChat in China as it works to comply with relevant laws and regulations. This reflects part of a broader crackdown on technology firms by Chinese regulators.

Key Facts

Distributions

Generally does not distribute

Hedging

Any foreign currency exposure is gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

Exclusions

Any security that conduct activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009 and tobacco manufacturers.

Estimated annual fund charges (Incl. GST)

Wholesale: negotiated outside of the unit price

Retail: 1.42%, refer PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07% / 0.07%	October 2008	\$97.9m

Compliance

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

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