

# 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

- Global equity markets took two steps forward and one step back over the quarter – advancing 0.80% in July and 1.64% in August before retreating 2.19% in September.
- For the three-month period, the MSCI All Countries World Index had a return of 0.22% (NZD, unhedged). Despite losses incurred in September, investors were encouraged by a reasonably strong reporting season.
- For much of the quarter, investors were reassured that gradually rising energy prices and softening economic data would slow the pace of any tightening of monetary policy. By the end of September, however, the inflation observed in energy markets was so severe that investors started to worry much more about their impact on future economic activity.

## Fund Highlights

- The fund returned 1.38% for the quarter, 1.16% ahead of the benchmark.
- Aon, Sony and Daikin added value to the fund over the quarter.
- Main detractors over the quarter were LHC Group, Tencent and Global Payments.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale <sup>1</sup>	-3.71%	1.38%	23.19%	16.76%	
Benchmark <sup>2</sup>	-2.19%	0.22%	22.11%	11.10%	
Retail <sup>3</sup>	-2.85%	1.80%	23.49%	15.98%	
KiwiSaver <sup>3</sup>	-2.87%	1.82%	23.76%	16.61%	

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.

## Since Inception Cumulative Performance (gross), \$10,000 invested.<sup>1,2</sup>



## Investment Manager

The Global Shares Strategy is managed by a 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.

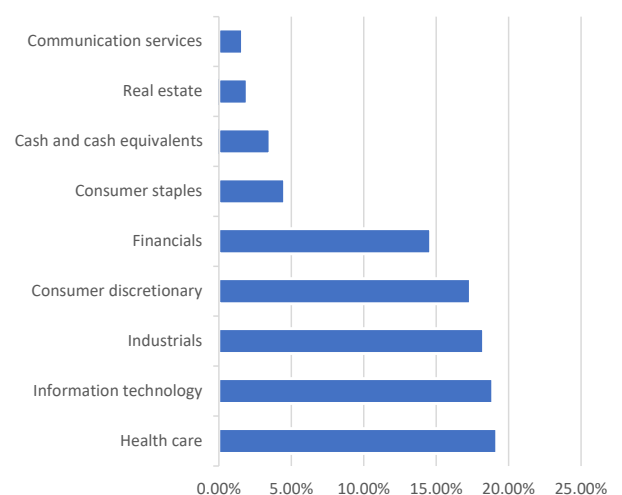
## Overview

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.

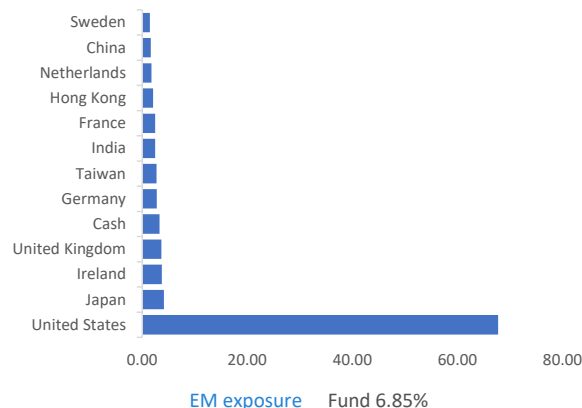
## Asset Allocation



### Top 10 Holdings (%)

	Fund	Country
Microsoft Corp	6.10	US
Amazon Com Inc.	3.78	US
Carlisle Cos Inc.	3.34	US
Accenture Plc	3.30	Ireland
Adobe Inc.	3.27	US
Sony Corp	3.22	Japan
Abbott Labs	2.94	US
Compass Group	2.93	UK
Anthem Inc.	2.80	US
Hellofresh SE	2.74	Germany

### Geographical Allocation



### Market Commentary

Global equity markets took two steps forward and one step back over the quarter – advancing 0.80% in July and 1.64% in August before retreating 2.19% in September. Despite losses incurred in September, investors were encouraged by a reasonably strong reporting season. For much of the quarter, investors were reassured that gradually rising energy prices and softening economic data would slow the pace of any tightening of monetary policy. By the end of September, however, the inflation observed in energy markets was so severe that investors started to worry much more about their impact on future economic activity. These developments in energy markets have increasingly fed into bond markets over the period too. Although bond yields started the quarter in retreat, they were rising sharply by the end of September - partly attributable to rising inflation expectations diminishing the appeal of relatively long duration assets. This dynamic fed through into a measure of style rotation – with value sectors beginning to outperform their long duration growth counterparts. Japan has been a notable outperformer over the quarter as a change in political leadership once again stoked hopes of long-awaited reforms. On the other hand, Emerging Markets fared less well – squeezed by rising energy costs, concern over economic growth in China (driven by a combination of Government policy and energy shortages) and a very strong USD. Other major regions performed more-or-less in line with the market, with the US modestly outperforming and Europe ex UK underperforming by a similar amount.

### Fund Commentary

The fund returned 1.38% for the quarter, 1.16% ahead of the benchmark. Positive contributors were Aon, Sony and Daikin. Aon outperformed following the termination of its merger with Willis Towers. Sony climbed over the quarter after announcing its intention to acquire a majority stake in India’s largest publicly traded television network (Zee entertainment). Daikin performed strongly after quarterly results illustrated that the company is executing on the key theme of its medium-term plan. Themes include improvement in the North American operation, decarbonisation, development of solution proposals, stronger technology development and establishment of a robust supply chain. Main detractors in the fund over the quarter were LHC Group, Tencent and Global Payments. LHC Group continues to be impacted by rising wage costs for nurses across the industry and staff shortages as a result of COVID quarantine. Tencent was negatively impacted after the company announced that it was suspending new user registration on WeChat in China as it works to comply with relevant laws and regulations. This reflects part of a broader crackdown on tech firms by Chinese regulators. Global Payments sold off following the market’s overreaction to an okay set of quarterly results. Revenue growth was slightly ahead of consensus, however, the company missed on margins for H2.

### Key Fund Facts

#### Distributions

Generally does not distribute.

#### Exclusions

Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.

#### Restrictions

Adult entertainment, tobacco stocks, ‘controversial weapons’, 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:** 0.07%/0.07%    **Strategy Launch** July 2017    **Strategy size** \$500.5m

### Compliance

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

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