

Factsheet 31 July 2022

# 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

- July saw equity markets rebound following the sharp losses seen in recent months. Equity markets enjoyed their best month of the year, rising more than 5%. The catalyst for this reversal in performance was a sense that weak economic data and a potential peak being reached in near-term inflation could cause the Federal Reserve to slow the pace of monetary tightening.

## Fund Highlights

- The fund returned 9.32% in the month, outperforming performing the benchmark return of 7.44% by 188 bps.
- The fund's top contributors to performance in July were HCA Healthcare, Old Dominion Freight Line and Steel Dynamics.
- The main laggards were Suncor Energy, as well as Apple and Tesla.

## 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 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

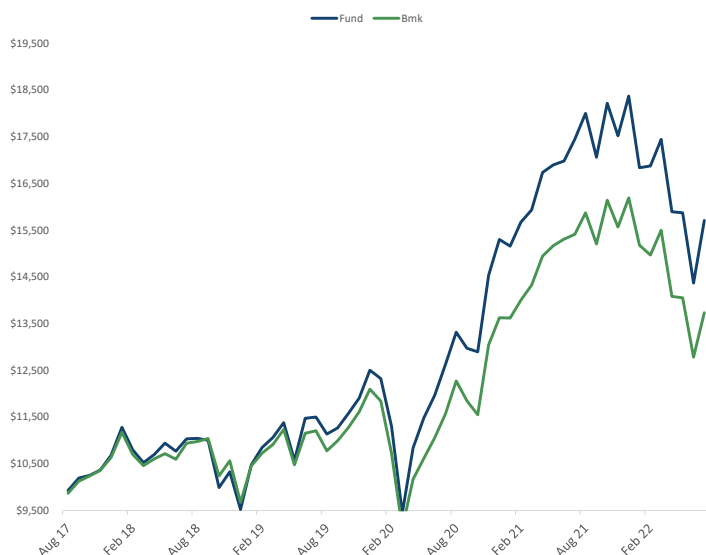
The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

## Performance

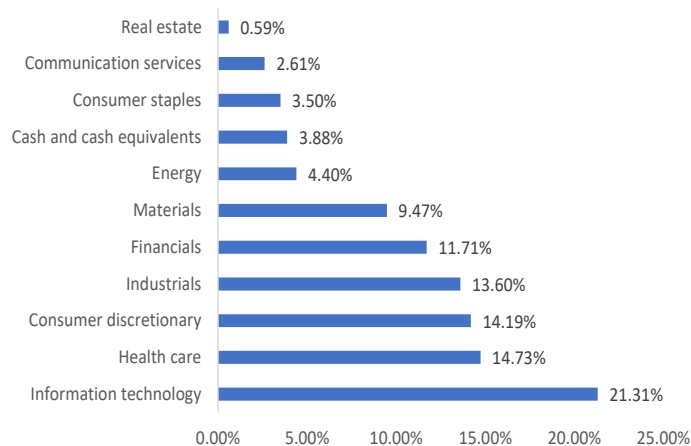
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	9.32%	-1.17%	-9.97%	10.96%	9.46%	12.72%
Benchmark <sup>2</sup>	7.44%	-2.48%	-10.89%	7.01%	6.55%	11.06%
Retail <sup>3</sup>	6.40%	-5.00%	-13.22%	8.60%	7.57%	-

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 <sup>1,2</sup>



## Asset Allocation



Top 10 Holdings	% of Fund	Country
Microsoft Corp	6.02	US
Amazon Com Inc	2.92	US
Progressive Corp	2.43	US
Old Dominion Freight Line Inc	2.41	US
Unitedhealth Group Inc Com	2.31	US
Reliance Steel & Aluminum Co	2.19	US
Suncor Energy Inc	2.10	Canada
Visa Inc	2.06	US
Constellation Software	1.89	Canada
Steel Dynamics	1.88	US

Manager	Allocation	Active Return
NAM Europe	30.57%	-1.13%
Royal London	45.84%	1.34%
WCM	21.79%	3.89%
Cash & Derivatives	1.80%	n/a

What helped		What Hurt	
HCA Healthcare	OW	Suncor Energy	OW
Old Dominion Freight Line	OW	Apple Inc.	UW
Steel Dynamics	OW	Tesla Inc	UW

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

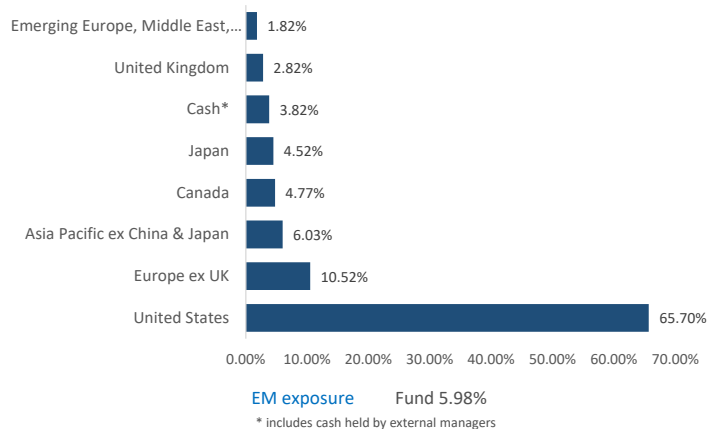
### Market Commentary

July saw equity markets rebound after the sharp losses seen in recent months. Equity markets enjoyed their best month of the year, rising more than 5%. The catalyst for this reversal in performance was a sense that weak economic data and a potential peak being reached in near-term inflation could cause the Federal Reserve to slow the pace of monetary tightening. Growth outperformed value this month. Weakening economic data served to undermine confidence in earnings estimates for some of those cyclical businesses that had benefited the most from the market rotation seen in Q1. At the same time, lower expected inflation fed through into slightly reduced interest rate expectations. This released some of the valuation multiple pressure faced by growth stocks this year. In terms of the inflation picture and the Fed’s response, the economic data remained mixed in July. Commodity prices have corrected fairly sharply in many cases, in sympathy with falling business confidence. It is fair to say, however, that the US consumer has held up relatively well so far – likely underpinned by a solid labour market and relatively low levels of leverage going into whatever economic slowdown we are facing.

### Fund Commentary

The fund returned -9.47% in the month, outperforming performing the benchmark return of -9.04% by 43 bps. All three managers outperformed by a significant margin - WCM (389 bps) led the charge, followed by RLAM (134 bps) and NAME (98 bps). Over the longer term, the fund continues to deliver very strong outperformance, with excess returns of 443 bps p.a. over 3 years and 328 bps p.a. over 5 years. The fund’s top contributors to performance in July were HCA Healthcare, Old Dominion Freight Line and Steel Dynamics. The largest for-profit hospital operator in the US, HCA Healthcare, surged more than 20% after posting better-than-feared second quarter results. HCA’s scale advantages position it well to control costs in a difficult operating environment such as COVID-19, and it is well positioned to capitalize on a return to normal volumes in 2022. Less-than-truckload business Old Dominion Freight Line (ODFL) posted second quarter earnings which were 43% higher than a year ago, while revenues were up 26% year-on-year ago. Value was detracted by overweight in Suncor Energy, as well as underweights to Apple and Tesla (both were among the benchmark’s top performers). The Canadian integrated oil and gas producer, Suncor Energy, was the fund’s top detractor from performance. The shares came under pressure in July primarily due to general weakness in energy stocks. The resignation of Suncor’s CEO Mark Little also impacted sentiment. His resignation was in response to mounting investor concerns regarding operational performance and workplace safety. Apple and Tesla were some of the top performers in the Nasdaq-100 Index – the fund is underweight Apple and has no exposure to Tesla, which explains why they have detracted from performance in July.

### Geographical Allocation



### 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%.  
**Restrictions** Investment prohibited in any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009. Investment prohibited in 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** 0.07%/0.07%  
**Strategy Launch** October 2008  
**Strategy size** \$89m

### Compliance

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

### Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor’s objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.