

Factsheet 31 August 2022

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

- August was very much a month of two halves. The first half of the month saw equity markets pick up where July left off – with a notable improvement in sentiment and growth leading value. This turned around in the second half of the month, however, as investors were spooked by continued hawkishness from the Federal Reserve (and ECB), in response to persistently high inflation figures.

Fund Highlights

- The fund returned a negative 2.94%, 145 bps behind the index over the month of August.
- Positive contributors to fund performance over the month Palomar, Progressive Corporation and Deer & Company.
- Main detractors included SolarEdge Technologies Inc., AdaptHealth Corporation and Bio-Techne Corporation.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	-2.94%	0.81%	-7.23%	11.32%	14.60%
Benchmark ²	-1.49%	0.18%	-3.43%	9.06%	10.35%
Retail ³	-1.55%	0.73%	-8.13%	10.41%	13.55%
KiwiSaver ³	-1.56%	0.75%	-8.14%	10.54%	

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^{1,2}



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.

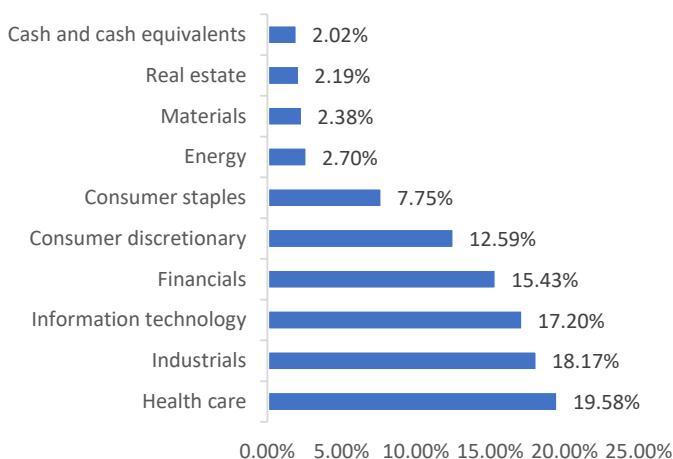
Overview

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.

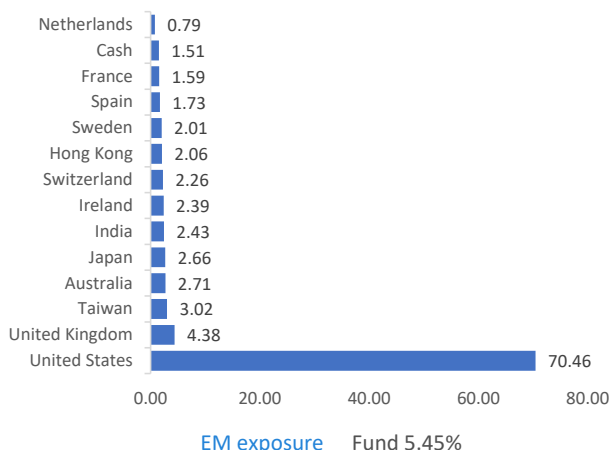
Asset Allocation



Top 10 Holdings

	% of Fund	Country
Microsoft Corp	6.14	US
Compass Group	3.63	UK
Danaher Corp	3.23	US
Coca Cola Co	3.19	US
Intercontinental Exchange	3.04	US
Palomar Inc	3.04	US
Taiwan Semicon Ltd	3.01	Taiwan
Carlisle Cos Inc.	2.91	US
Worley Ltd	2.70	Australia
Sony Corp	2.65	Japan

Geographical Allocation



Market Commentary

August was very much a month of two halves. The first half of the month saw equity markets pick up where July left off – with a notable improvement in sentiment and growth leading value. This turned around in the second half of the month, however, as investors were spooked by continued hawkishness from the Federal Reserve (and European Central Bank), in response to persistently high inflation figures. Whilst the high inflation numbers did not surprise anyone, there had been increasing expectations in some quarters that the Fed may respond to weakening economic data and indicate some slowing in the rate of interest rate increases. Although commodity prices have been tracking economic growth expectations lower in recent weeks, shares in the energy sector have continued to perform strongly, with the sector being comfortably the strongest in the market in August. The combination of attractive free cash flow yields (based on today’s oil price) and a sense that demand may recover towards year end (faster than any increase in supply) saw to that. Other commodity sectors fared less well, but Basic Materials also managed to outperform slightly this month, even as the prices of key commodities such as copper and steel continued to fall – not helped by the continued weakness in the Chinese real estate sector. Growth sectors fared worst this month, with both Information Technology and Healthcare underperforming the market as bond yields rose, pressuring valuations in these areas.

Fund Commentary

The fund returned a negative 2.94%, 145 bps behind the index over the month of August. Positive contributors to fund performance over the month Palomar, Progressive Corporation and Deer & Company. Palomar Holdings outperformed in August on the back of better-than-expected quarterly results providing further evidence that the shift to more consistent product segments as the key drivers of growth is leading to improved earnings consistency. Progressive Corporation shares rebounded following a decline in July. August results were particularly strong providing further evidence that a turnaround is underway. Deere & Company shares recovered from their over-sold condition caused by the roll over in soft commodities. The shares performed well ahead of quarterly results in August, which confirmed full year 2022 guidance. Furthermore, the slight easing of supply chain issues is helping the company to fulfil demand. Main detractors included SolarEdge Technologies Inc., AdaptHealth Corporation and Bio-Techne Corporation. SolarEdge Technologies, Inc. underperformed this month after a quarterly results announcement in which margins disappointed meaningfully. This was partially due to Chinese lockdowns, which caused disruption in the supply of key components and led to stalled production globally. Worsening sales mix and Euro FX also contributed to the margin miss. AdaptHealth Corporation was weak after announcing slightly disappointing Q2 numbers. Although the sleep business outperformed expectations, organic growth was slightly slower than expected in both diabetes care and core medical equipment. Management expect growth to accelerate in H2 as healthcare utilisation gradually recovers from COVID exacerbated staffing shortages. Bio-Techne Corporation underperformed (along with most of the Life Science Tools & Diagnostics industry), as investors fretted that tighter US liquidity would lead to a significant slowdown in life science research spending. Whilst some short-term slowdown (from mid-teen percentage growth) is certainly possible, we believe that Bio-Techne’s product offering offers a compelling set of technologies, critical to delivering new drugs and diagnostics in emerging areas including Cell & Gene therapy.

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:	Strategy Launch	Strategy size
0.07%/0.07%	July 2017	\$523m

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

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