

Factsheet 30 November 2022

NIKKO AM GLOBAL EQUITY UNHEDGED STRATEGY

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

Market Overview

- November saw a continuation of the positive momentum seen in October, as equity markets recovered some more of the losses seen earlier in the year.
- Hopes abounded of a partial easing of China's zero COVID policy and that we may be nearing the point of peak hawkishness in US monetary policy.
- The strengthening NZ dollar during the month led to lower returns from foreign currency assets.

Fund Highlights

- The gross return for the calendar month was -0.87% in November, behind the benchmark return of 0.79%.
- Royal London / RLAM (1.06%) made a positive contribution to performance, but NAME (-0.32%) and WCM (-2.64%) detracted from performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-0.87%	1.55%	-3.60%	11.80%	11.41%	13.82%
Benchmark ²	0.79%	1.99%	-3.42%	7.81%	8.56%	12.04%
Retail ³	-2.82%	-1.03%	-7.27%	9.84%	10.03%	-

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.

Five Year Cumulative Performance (gross), \$10,000 invested ^{1,2}



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.

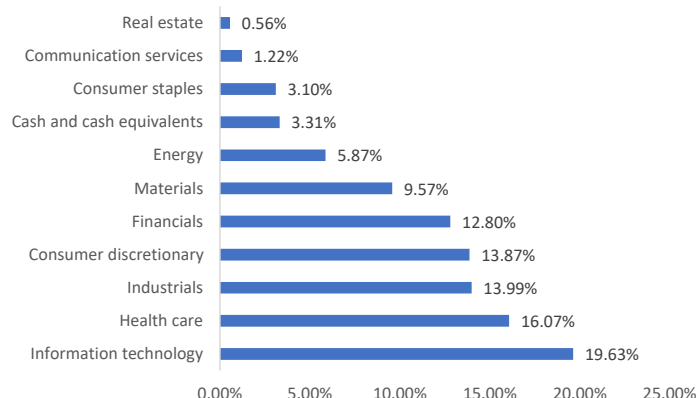
Overview

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 unhedged.

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	Manager	Allocation	Active Return
Microsoft Corp	5.40	US	NAM Europe & NZD Cash	30.50%	-3.37%
Amazon Com Inc	2.85	US	Royal London	47.95%	0.27%
UnitedHealth Group Inc.	2.71	US	WCM	20.56%	-0.43%
Progressive Corp	2.70	US	Cash & Derivatives	0.99%	n/a
Anglo American Plc	2.50	UK			
Reliance Steel & Aluminum Co	2.37	US			
Visa Inc	2.27	US			
Steel Dynamics Inc	2.25	US			
HCA Healthcare Inc	2.02	US			
Constellation Software	2.02	CA			

What helped		What Hurt	
Anglo American	o/w	Palomar Holdings	o/w
Taiwan Manufacturing	o/w	Chart Industries	o/w
Apple Inc	u/w	Tencent Holdings	n/h

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

Market Commentary

November saw a continuation of the positive momentum seen in October, as equity markets recovered some more of the losses seen earlier in the year. However, the strengthening NZ dollar during the month led to lower returns from foreign currency assets. Hopes abounded of a partial easing of China's zero COVID policy and that we may be nearing the point of peak hawkishness in US monetary policy. The best performing sector this month was Materials – based on these hopes for a recovery in Chinese economic output. Commodity prices have recovered in November (for instance, copper rose 11% and iron ore climbed over 20%) and Mining stocks have outperformed as a result. Industrials also outperformed again this month, as did Communication Services – suggesting an element of mean reversion, following October's extreme earnings-led weakness in these names. Mean reversion was also evident in the performance of the Energy sector in November. The sector has been the outstanding beneficiary of this year's geopolitical events and has outperformed the benchmark substantially. It was however, the worst performer in November – belatedly tracking the oil price lower. Other sectors that underperformed included Healthcare.

Fund Commentary

The gross return for the calendar month was -0.87%, behind the benchmark return of 0.79%. Royal London / RLAM (1.06%) made a positive contribution to performance, but NAME (-0.32%) and WCM (-2.64%) detracted from performance. One of the month's top contributors to performance, Anglo American (held by Royal London), offers highly diversified commodity exposure across copper, iron ore, platinum group metals (PGMs), diamonds, and nickel. Year-to-date diamond sales growth at 20% remains robust and overall diamond demand is steady. Anglo American also signed an agreement with Aguas Pacifico, a Chile-based water desalination and solutions provider, to supply desalinated water for its Los Bronces copper mine in Chile from 2025. The Los Bronces mine is located above 3000m altitude about 60km northeast of Chile's capital, Santiago, and represents one of the world's largest copper reserves. The region has however been impacted by a decade-long severe drought and this desalinated water will supply more than 45% of Los Bronces' needs while also providing clean water to approximately 20,000 people in communities local to the operation. This should enable Anglo American to reduce its freshwater abstraction in water scarce regions by 50% by 2030. Palomar Holdings and Chart Industries were among the fund's main individual detractors from performance in November. Palomar underperformed following lacklustre quarterly results. The primary issue is that the shift to a lower volatility, but less earnings-dense mix is occurring more quickly than expected. The front business, which is fee oriented but does not earn premiums, is expected to be closer to 25% of the mix by the end of 2023, which is much higher than the market anticipated. The share price of Chart Industries fell sharply in November following the company's announcement that it would purchase Howden, a UK-based producer of air and gas handling products and aftermarket services, for USD 4.4 billion. Ultimately, NAME (who has recently invested in the company) thinks that the deal makes strategic sense. They have organised a call with management to discuss the rationale behind the way it has been funded and the way it was communicated to the market.

Key Facts

Distributions Generally does not distribute

Hedging Any foreign currency exposure is unhedged

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

\$199m

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

Contact Us

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Geographical allocation

