

NIKKO AM GLOBAL SHARES HEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Shares Hedged Fund. The Nikko AM Global Shares Hedged 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.

Fund Highlights

- The gross return for the calendar month for the wholesale fund was 7.82%, slightly behind benchmark.
- Positive contributors to fund performance over the month were TSMC, AIA Group and SolarEdge Technologies.
- Main detractors included Palomar Holdings, Chart Industries and Box.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	7.82%	2.02%	-15.26%	7.20%	-
Benchmark ²	7.99%	1.95%	-13.21%	5.18%	-
Retail ³	5.40%	-1.15%	-19.77%	4.84%	-

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

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.

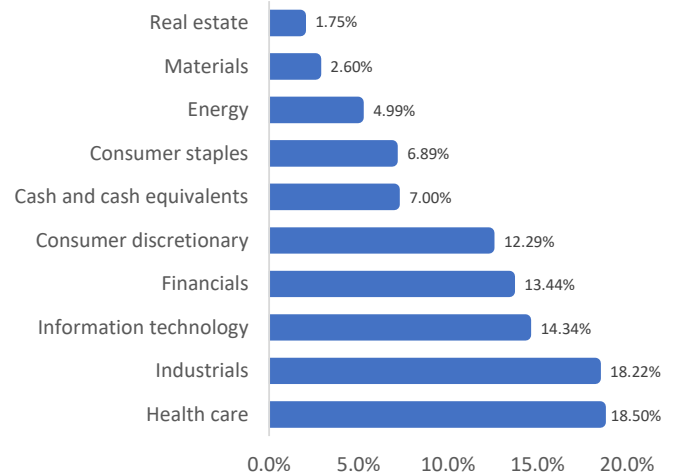
Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth with currency exposure created as a consequence of global equity investment hedged to NZD.

Objective

The fund aims to outperform the benchmark, gross hedged 139% to NZD return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

Asset Allocation

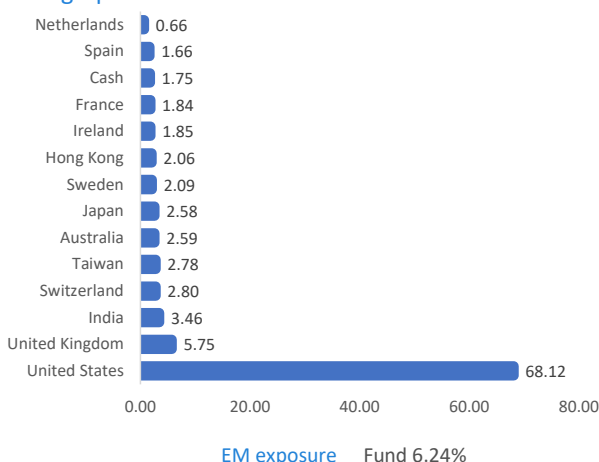


Cash includes FX positions and cash

Top 10 Holdings

	% of Fund	Country
Microsoft Corp	4.29	US
HDFC Bank Ltd	3.27	India
Danaher Corp	3.00	US
Intercontinental Exchange	3.00	US
Compass Group	2.97	UK
Deere & Co	2.89	US
Encompass Health Corp	2.68	US
Nestle	2.66	Switzerland
Taiwan Manufacturing	2.64	Taiwan
Linde Plc	2.60	Ireland

Geographical Allocation



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. 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 7.82%, marginally behind the benchmark. Positive contributors to fund performance over the month were TSMC, AIA Group and SolarEdge Technologies. Main detractors included Palomar Holdings, Chart Industries and Box. TSMC shares rebounded from October’s weakness this month as sentiment improved towards growth stocks and cyclicals. News that Warren Buffett had invested USD4bn in the company added to improved sentiment. AIA Group shares rallied this month on hopes that China is looking to loosen zero-COVID policies and start to re-open. As a leader in the insurance industry in China, AIA is set to benefit from the re-opening. SolarEdge Technologies shares soared in November following strong quarterly results, in which revenue, gross and operating margins were all ahead of expectations. It was encouraging to hear that demand remains solid, especially in Europe, execution is improving as COVID-19 disruption to the supply chain eases and price increases are realised. Palomar Holdings shares 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. Chart Industries shares declined 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 USD4.4 billion. We think that the deal makes strategic sense, however, we 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. Box shares have come down in anticipation of quarterly results at the end of the month. The market is questioning the sustainability of Box’s profitable growth profile in an evolving competitive market and uncertain macro environment. Currency is also expected to be a slight headwind for the company. Despite these concerns, we maintain conviction in Box given the company’s competitive advantage in enabling enterprises to manage and collaborate on unstructured data.

Key Fund 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 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

Buy/Sell spread 0.07%/0.07%

Strategy launch July 2018

Strategy size

\$260m

Compliance

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

Contact Us

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