Factsheet 31 January 2023

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

- After the punishing bear market in 2022, January was a much better month for global equity markets, as investors positioned for a less daunting monetary policy backdrop.
- The best performing sectors this month were those that had endured the most punishing end to 2022. Consumer Discretionary and Communication Services led the way, with Information Technology not far behind as investors returned to some of their growth stock favourites, in the hope that more dovish monetary policy would mark an end to the derating seen across those sectors in 2022.

Fund Highlights

- The fund had a decent return of 8.28% to outperform the benchmark return of 7.04% by 124 bps.
- At the aggregate Fund level, the top contributors to the outperformance were Steel Dynamics, Thor Industries, Amazon.com, Lithia Motors and Old Dominion Freight Line.
- The top detractors were Equinor ASA, UnitedHealth Group, Eli Lilly & Co, Tesla (no exposure) and UPM-Kymmene.

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.

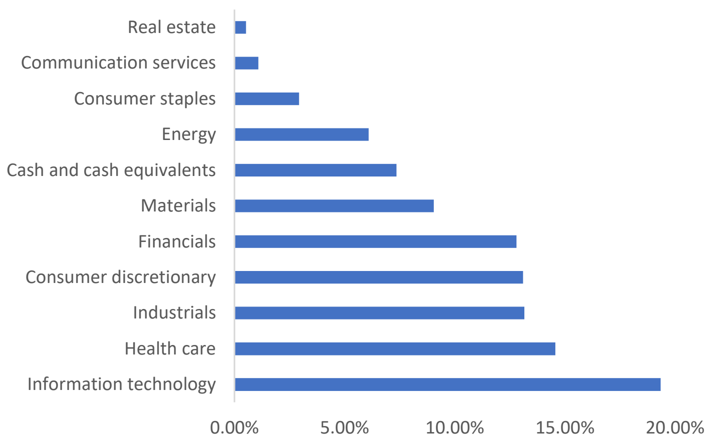
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale[1]	8.28%	11.96%	-4.41%	9.32%	7.37%	11.68%
Benchmark[2]	7.04%	10.55%	-8.88%	5.32%	4.37%	9.70%
Retail[3]	6.53%	10.20%	-4.97%	6.93%	5.77%	9.73%

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 [1,2]

Asset Allocation



Top 10 Holdings	% of Fund	Country
Microsoft Corp	4.72	US
Amazon Com Inc	3.35	US
Visa Inc	2.69	US
UnitedHealth Group Inc.	2.53	US
Progressive Corp	2.49	US
Steel Dynamics Inc	2.32	US
Reliance Steel & Aluminium Co	2.27	US
Old Dominion Freight Line Inc	2.24	US
Constellation Software	2.02	CA
Thor Industries Incorporated	1.78	US

Manager	Allocation	Active Return
NAM Europe & NZD Cash	29.93%	-3.51%
Royal London	46.94%	3.58%
WCM	21.37%	0.22%
Cash & Derivatives	2.75%	n/a

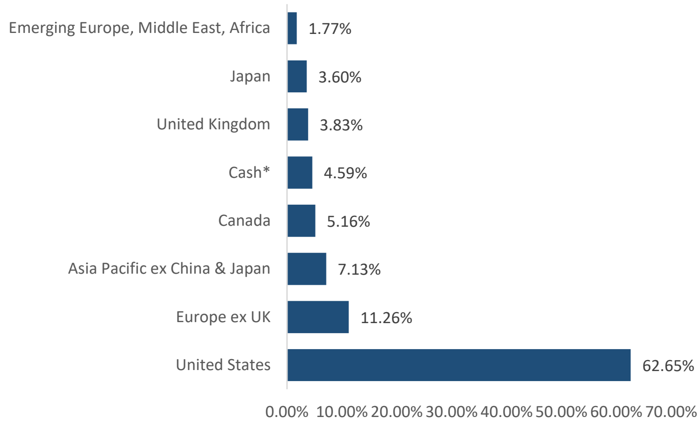
What helped		What Hurt	
Steel Dynamics	o/w	Tesla Inc	u/w
Thor Industries	o/w	UnitedHealth Group	o/w
Lithia Motors	o/w	Eli Lilly & Co	o/w

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

Market Commentary

After the punishing bear market in 2022, January was a much better month for global equity markets, as investors positioned for a less daunting monetary policy backdrop. With the Federal Reserve having reduced the pace of tightening to 25 basis point increments already in December, economic data points have been scrutinised even more closely than ever in January in an attempt to forecast when we will have seen the peak in rates for this cycle. January brought some much-needed relief in this regard, with even core US CPI easing to 6.5% (from 7.1%) on falling food and energy costs. Even the stubbornly hot US labour market showed some signs of cooling – with average hourly wage growth lagging expectations, even as initial jobless claims continued to point to solid demand for labour. The best performing sectors this month were those that had endured the most punishing end to 2022. Consumer Discretionary and Communication Services led the way, with Information Technology not far behind as investors returned to some of their growth stock favourites, in the hope that more dovish monetary policy would mark an end to the derating seen across those sectors in 2022.

Geographical allocation



EM exposure Fund 6.60%

Fund Commentary

The fund made a strong start to the year, its return of 8.28% to outperform the benchmark return of 7.04% by 124 basis points (bps). At the aggregate fund level, the top contributors to the outperformance were Steel Dynamics, Thor Industries, Amazon.com, Lithia Motors and Old Dominion Freight Line. The top detractors were Equinor ASA, UnitedHealth Group, Eli Lilly & Co, Tesla (no exposure) and UPM-Kymmene.

Of the underlying managers, Royal London (8.46%) performed particularly well in January, WCM (5.10%) also outperformed, but NAME (2.96%) had a challenging month relative to the benchmark. Royal London's outperformance was driven by its overweights to Steel Dynamics, Thor Industries, Amazon.com and Lithia Motors, while WCM's outperformance was driven by its overweights to LVMH, Floor & Décor Holdings, Atlassian and Lam Research. WCM's top performer in January, the world's largest luxury goods company LVMH, surged 15% to a new lifetime high of over €800 per share. LVMH reported another record result, with Q4 revenue up 9% year-on-year, despite the drag from COVID disruption in China. Its portfolio of strong brands, best in class execution, diversification of divisions and balanced geographic exposure means that it strikes a unique of balance between strong cash generation and defensiveness (through Fashion & Leather) and cyclicality (through tourism/travel retail exposure).

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%.

Exclusion 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	**Strategy size**
October 2008	$97.7m

Compliance

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

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