

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

- 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 posted a return of 2.87% over the month of January, lagging behind the benchmark by 2.01%.
- Positive contributors to fund performance over the month were Booking Holdings Inc., TransUnion, and Amadeus IT Group. Main detractors included Emerson Electric, HDFC Bank and O'Reilly Automotive.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	2.87%	-1.98%	-6.50%	9.23%	12.17%
Benchmark ²	4.88%	-0.27%	-6.50%	6.88%	8.43%
Retail ³	1.35%	-3.64%	-7.04%	7.21%	10.38%
KiwiSaver ³	1.35%	-3.64%	-7.05%	7.30%	

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.

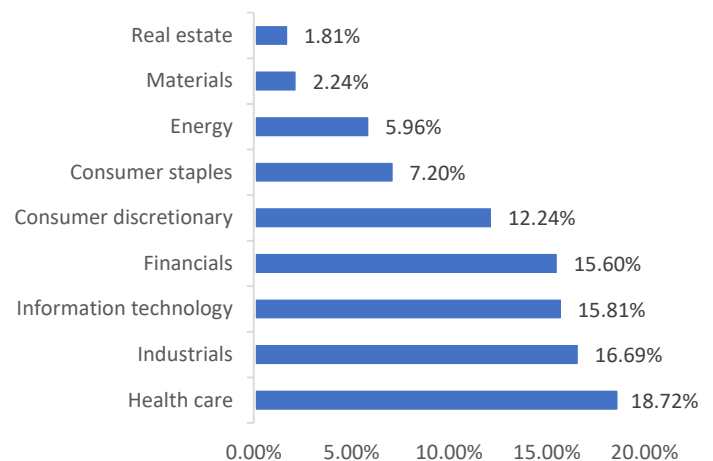
Overview

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.

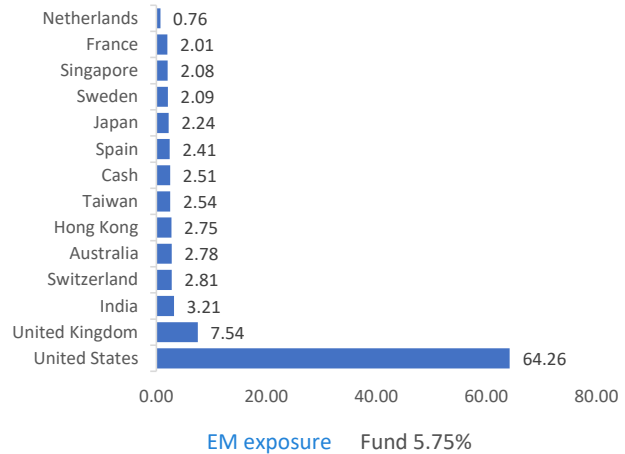
Sector Allocation



Top 10 Holdings

	% of Fund	Country
Microsoft Corp	4.27	US
Compass Group	3.24	UK
HDFC Bank Ltd	3.20	India
Schlumberger Ltd	3.20	US
Nestle	2.80	Switzerland
Worley Limited	2.77	Australia
AIA Group Ltd	2.74	Hong Kong
Progressive Corp	2.68	US
Intercontinental Exchange	2.61	US
Booking Inc.	2.61	US

Geographical Allocation



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 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.

Fund Commentary

The fund posted a positive return of 2.87% over the month of January, lagging behind the benchmark by 2.01%. Positive contributors to fund performance over the month were Booking Holdings Inc., TransUnion, and Amadeus IT Group. Main detractors included Emerson Electric, HDFC Bank and O'Reilly Automotive. Booking Holdings Inc. outperformed in January echoing the market's preference for cyclicals over defensives. The Fed slowed the pace of hikes in December on the back of encouraging inflationary data, indicating that a softer landing could be on the cards in 2023. TransUnion recovered some of the losses it incurred during 2022. Weak performance was attributable to rising interest rates, which forced a decline in new mortgage applications, negatively impacting TransUnion's credit business. Now that it seems like rates may have peaked, the shares look oversold. Amadeus IT Group shares benefitted from similar factors to Booking during the month of January. Cyclicals outperformed defensives on the back of speculation that the Fed could be nearing the end of its aggressive interest rate cycle. Emerson Electric underperformed this month following its announcement that it has offered to acquire National Instruments Corporation. Investors are concerned about deal execution given almost no overlap between Emerson and National Instrument's businesses. HDFC Bank underperformed this month on the back of an outflow of capital from India into other emerging markets that are starting to rally this year (particularly China). Additionally, the Indian banking sector has been under pressure following a short attack by Hindenburg Research on Gautam Adani's business empire in India. Whilst HDFC Bank is not directly associated with Gautam Adani's business, it has been impacted by the negative news flow across the sector. O'Reilly Automotive shares struggled to perform in January as the market made a preference for cyclicals over defensives in the context of a potentially less gloomy outlook for 2023.

Key Fund Facts

Distributions: Generally does not distribute

Exclusions: Controversial weapons. Tobacco manufacturers.

Restrictions Adult entertainment, 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	\$550.7m

Compliance

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

Contact Us

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