

Factsheet 30 April 2023

# 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

- April saw relief at the prospect of an imminent end to interest rate hikes give way to concerns over the coming economic impact of the hikes that have already been implemented (in conjunction with the damaging impacts of events in the US regional banking sector).
- Defensive sectors fared best in April – Consumer Staples, Healthcare and Utilities all outperforming a rising market. Energy and Financials also enjoyed some respite last month, having sold off aggressively earlier in the year. The worst performing sectors were all cyclicals with Materials, Information Technology, Consumer Discretionary and Industrials all failing to keep pace with the market.

## Fund Highlights

- The fund posted a return of 2.66% over April, 172 basis points ahead of the benchmark.
- Positive contributors to fund performance were Encompass Health Corporation, Tenet Healthcare Corporation and Burford Capital Ltd.
- Main detractors were Palomar Holdings Inc., Progressive Corporation and Danaher Corporation.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale <sup>1</sup>	2.66%	-0.33%	-1.13%	11.65%	
Benchmark <sup>2</sup>	0.93%	0.28%	-1.50%	10.91%	
Retail <sup>3</sup>	2.77%	-0.80%	-5.26%	9.71%	

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.<sup>1,2</sup>



## 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.

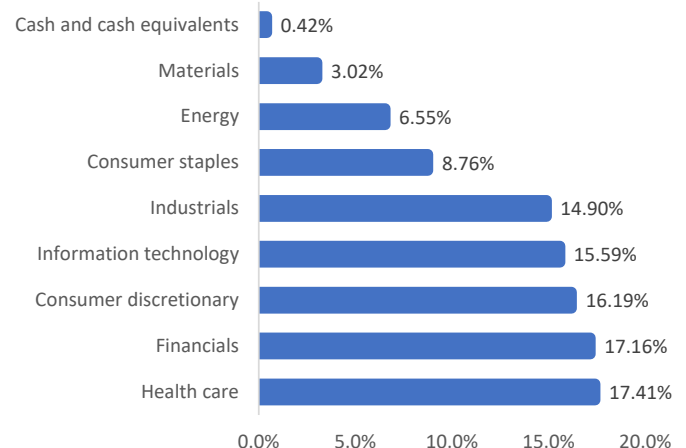
## Overview

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.

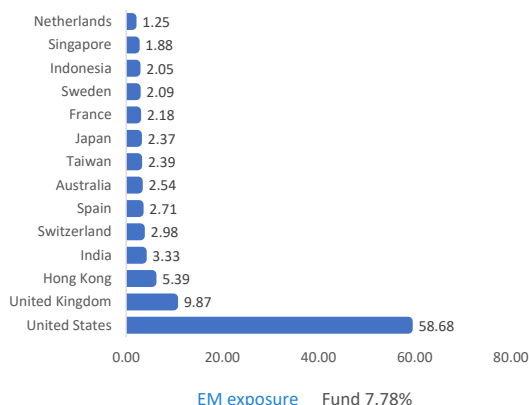
## Sector Allocation



Top 10 Holdings

Top 10 Holdings	% of Fund	Country
Microsoft Corp	6.40	United States
Compass Group	3.60	United Kingdom
HDFC Bank Ltd	3.33	India
Haleon Plc	3.16	United Kingdom
Linde Plc	3.02	Ireland
Nestle	2.98	Switzerland
Booking Inc	2.89	United States
Schlumberger Ltd	2.78	United States
Samsonite Intl	2.75	Luxembourg
Amadeus IT	2.71	Spain

Geographical Allocation



Market Commentary

Although global equity markets built on gains earlier in the year, April saw relief at the prospect of an imminent end to interest rate hikes give way to concerns over the coming economic impact of the hikes that have already been implemented (in conjunction with the damaging impacts of events in the US regional banking sector). Defensive sectors fared best in April – Consumer Staples, Healthcare and Utilities all outperforming a rising market. Energy and Financials also enjoyed some respite last month, having sold off aggressively earlier in the year. The worst performing sectors were all cyclical with Materials, Information Technology, Consumer Discretionary and Industrials all failing to keep pace with the market. Economic data in the US has started to cool more appreciably this month, especially in notable areas of recent strength. Job openings are falling, and average hourly earnings are increasing less quickly than last year. Consumer confidence and retail sales have also tempered somewhat (as accumulated excess savings have been worked down) and management teams are generally feeling less confident about the future if gauges such as the NFIB Small Business Confidence Indicator are to be believed. Regionally, the UK went from being March’s worst performer to April’s strongest performer – helped this month by its relatively heavy exposure to financials and energy. Europe ex UK also outperformed. GEM Asia was the weakest large region, with China weak once again, as investors continued to fret over the strength of recovery in domestic demand, as geopolitical tensions threaten export-led growth.

Fund Commentary

The fund posted a return of 2.66% over April, 172 basis points ahead of the benchmark. Positive contributors to fund performance were Encompass Health Corporation, Tenet Healthcare Corporation and Burford Capital Ltd. Main detractors were Palomar Holdings Inc., Progressive Corporation and Danaher Corporation. Encompass Health Corporation shares climbed after the US Government Agency responsible for healthcare reimbursement (CMS) confirmed that it was not going to pursue reforms that would have curtailed the allowable length of stay at Encompass’s Inpatient Rehabilitation Facilities. Tenet Healthcare Corporation outperformed this month on the back of positive Q1 results, which were driven by favourable trends in healthcare services. Surgery volumes were up significantly in hospitals and ambulatory surgery centres. Burford Capital Limited outperformed following positive developments in the YPF case. While the judge in the YPF case has found in favour of the Plaintiffs against Argentina, she has decided that YPF is itself not liable. Given that Burford owns parts of the claims of two shareholders in YPF, the potential cash flow that the company could generate from the case is up to 6-7x its market cap.

Palomar Holdings, Inc. gave up some of the gains made earlier in the year. There was no stock specific news to drive underperformance this month. Progressive Corporation re-traced from its all-time high following lacklustre monthly numbers - growth remained strong but costs were higher. This was largely due to forthcoming tort reform in Florida which meant there was an acceleration in claims before tort reform gets passed into law. Ultimately, this is a positive as it will disincentivise lawyers from pursuing certain claims. Danaher Corporation was weak as ongoing destocking in bioprocessing weighed on the shares. Additionally, the tighter funding environment in biotech is unsupportive to the stock’s near-term growth prospects. These challenging conditions were evident in the company’s outlook for the 2023, issued this week. Whilst the short-term environment continues to look tough for Danaher, we continue to believe that the stock is a high-quality growth compounder on a longer-term time horizon.

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:** 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

**Buy/Sell spread** 0.07%/0.07%

**Strategy size** \$294.5m  
**Strategy launch** July 2018

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

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