

Nikko AM Global Equity Multi-Manager Unhedged Strategy

Monthly Update 30 November 2023

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

Market Overview

- November proved to be an exceptional month for the stock market
- US equity index, the S&P 500, saw a significant 9.1% (USD) increase over the month.
- Globally, the MSCI All Countries World Index returned 9.28% (USD) in November, but only 2.86% in NZD terms (unhedged) as the NZ dollar surged more than 5% against the US dollar.
- The winners in November were primarily those benefiting from reduced bond yields and lower oil prices.

Fund Highlights

- The fund returned 3.06% (gross of fees) in November, which was 20 basis points (bps) better than the benchmark return of 2.86%.
- WCM (4.31%) was the highlight this month, Royal London and NAME both gained
- The fund's top contributors were Adyen, Datadog and MercadoLibre.
- Key detractors from performance were UnitedHealth, Progressive and Old Dominion Freight Line

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	3.06%	-1.08%	19.07%	12.83%	15.91%	13.32%
Benchmark²	2.86%	-2.09%	12.64%	10.34%	11.41%	10.70%
Retail³	3.46%	-1.38%	19.02%	11.48%	14.61%	11.96%

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.

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 Portfolio Manager, Alan Clarke.

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.

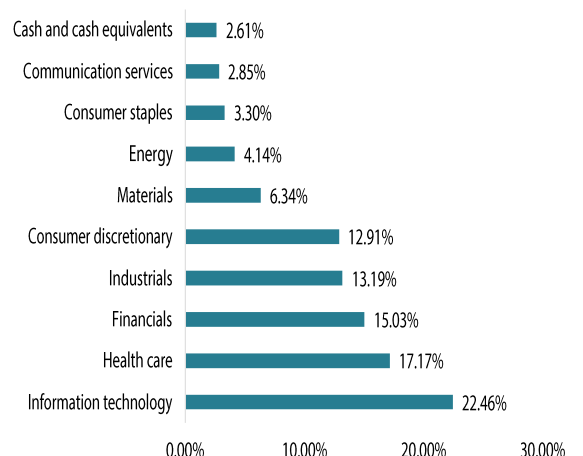
Objective

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

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



Asset Allocation



Top 10 Holdings	% of Fund	Country	Manager	Allocation	Active Return	
Microsoft	6.80	United States	NAM Europe & NZD Cash	23.06%	0.20%	
Unitedhealth	3.60	United States	Royal London	48.63%	-0.52%	
Amazon	3.16	United States	WCM	27.82%	1.45%	
Nvidia	2.58	United States	Cash & Derivatives	0.49%	n/a	
Visa	2.31	United States	Based on unhedged performance			
Progressive	2.08	United States	What helped			
Steel Dynamics	1.98	United States	Adyen	O/W	UnitedHealth	O/W
Safran Sa	1.79	France	Datadog	O/W	Progressive	O/W
Old Dominion Freight Line	1.79	United States	MercadoLibre	O/W	Old Dominion Freight Line	O/W
HCA Healthcare	1.75	United States	OW: overweight; UW: underweight; NH: no holding – month end position			

Market Commentary

November proved to be an exceptional month for the stock market, surpassing the usual good cheer that the 11th month of the year brings. The widely tracked US equity index, the S&P 500, saw a significant 9.1% (USD) increase. Globally, the MSCI All Countries World Index returned 9.28% (USD) in November, but only 2.86% in NZD terms (unhedged) as the NZ dollar surged more than 5% against the US dollar. The winners in November were primarily those benefiting from reduced bond yields and lower oil prices. Additionally, previous underperformers experienced a turnaround, essentially reversing the impacts of the recent shocks. In global politics, there was a shift to the right as Argentina elected the libertarian Javier Milei as its next President, while the controversial Dutch politician Geert Wilders won the general election in the Netherlands.

Fund Commentary

The fund returned 3.06% (gross of fees) in November, which was 20 basis points (bps) better than the benchmark return of 2.86%. WCM (4.31%) was the highlight this month, driven by the very strong performance of several of their information technology holdings, as well as Intuitive Surgical in the healthcare sector. Royal London and NAME both gained more than 2%, but their performance slightly lagged that of the benchmark. The Dutch-based payments processor Adyen N.V. (held by WCM) was a top contributor to performance after it surged the most since its trading debut in mid-2018. This was driven by the unveiling of new growth targets and a detailed pathway to achieve them, a key sign that the company is intent on winning back investor confidence. Shares of the software solutions provider Datadog (another WCM holding) soared almost 30% on the 7th November, after the company topped estimates for Q3 results and raised its forecast for annual adjusted profit and revenue, driven by demand from customers seeking better security solutions due to increasing cybersecurity threats. MercadoLibre (recently bought by Royal London) is in the Accelerating phase of the corporate Life Cycle; the business provides an online commerce and financial services ecosystem in Latin America, connecting a network of more than 148 million active buyers and 1 million active sellers across a footprint of 18 countries. Mercado reported impressive Q3 results during the period with net revenue growing 40% year-on-year and with an improved operating margin. The business is showing signs that it can use its scale advantages to realise operating leverage. The US health insurance company UnitedHealth Group (Compounder) underperformed despite reporting strong quarterly results in October. Another perennial top performer, the US auto insurance group Progressive Corp (Mature), was also one of the key detractors from performance in November after strong share price moves in October. Progressive's Q3 results were impressive, showing improvements to their combined ratio and to their year-on-year growth figures. The third key detractor from performance was the North American less-than-truckload company Old Dominion Freight Line, which reported a drop in Q3 profit and revenue as the company struggled with cooling demand for its services.

Key Fund Facts

Estimated annual fund charges (incl. GST)		Distributions:	Generally does not distribute	Strategy Launch:	October 2008
Wholesale:	Negotiated outside of the unit price.	Exclusions:	Any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009. Investment prohibited in tobacco manufacturers	Strategy size:	\$257.9m
Retail:	1.42%, refer to PDS for more details.			Buy / Sell spread:	0.07%/0.07%
Hedging:	Any foreign currency exposure in unhedged.				

Compliance

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

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