

Nikko AM Global Shares Unhedged Strategy

Monthly Update 30 November 2023

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

- Markets closed November in a positive mood thanks to the combination of continued economic strength in the US and indications that inflation was falling across developed economies.
- Data releases broadly supported the view that central banks have reached the peak of their tightening cycles and equity markets rejoiced with a 7-11% bounce across most major indices.
- Falls in markets from their July highs have effectively been reversed with November gains.

Fund Highlights

- The fund posted a return of 2.48% over November, 38 basis points behind the benchmark of 2.86%.
- Positive contributors to fund performance were TransUnion, Hexagon AB Class B and Hoya Corporation.
- Main detractors were Schlumberger N.V., Samsonite International S.A. and Compass Group.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	2.48%	-4.40%	5.60%	7.22%	12.24%	
Benchmark²	2.86%	-2.09%	12.64%	10.34%	11.41%	
Retail³	3.34%	-4.43%	7.04%	5.71%	11.05%	
KiwiSaver³	3.34%	-4.44%	7.12%	5.82%	11.39%	

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 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.

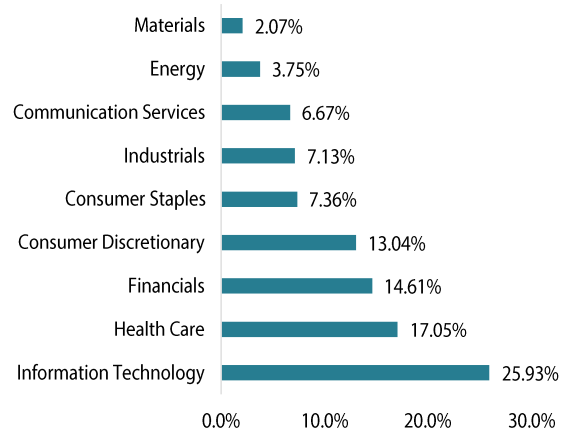
Objective

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

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



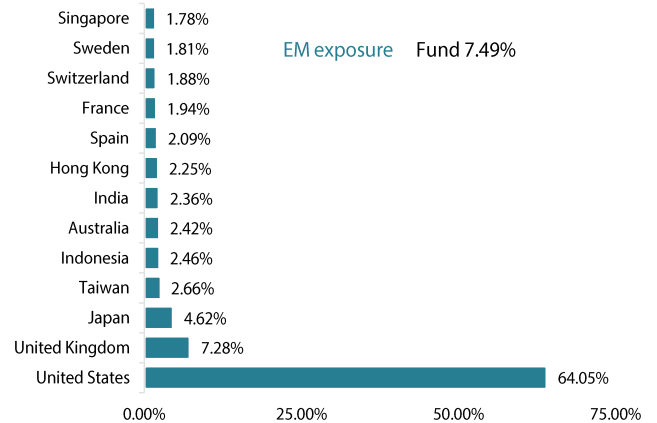
Sector Allocation



Top 10 Holdings

	% of Fund	Country
Microsoft	7.75	United States
Nvidia	3.98	United States
Facebook	3.36	United States
Netflix	3.30	United States
Haleon plc	2.94	United Kingdom
Compass	2.76	United Kingdom
Synopsys	2.73	United States
Cencora	2.68	United States
Taiwan Semicon Manufacturing	2.66	Taiwan
Abbott Labs	2.56	United States

Geographical Allocation



Market Commentary

Markets closed November in a positive mood thanks to the combination of continued economic strength in the US and indications that inflation was falling across developed economies. Data releases broadly supported the view that central banks have reached the peak of their tightening cycles and equity markets rejoiced with a 7-11% bounce across most major indices. Falls in markets from their July highs have effectively been reversed with November gains. The market was particularly encouraged by the release of the US Consumer Price Index (CPI) reading, which was cooler-than-expected. The biggest driver of the decline was a fall in energy and gasoline prices, followed by lower travel costs and hotel rates. While economic data remained resilient, there were some signs that the US economy is cooling. Initial and continuing jobless claims rose modestly and credit card delinquencies continued to pick up, confirming some weak consumer-based earnings results. The UK also saw a bigger-than-expected fall in headline inflation. Inflation figures in Europe also slowed while industrial production and manufacturing activity remained depressed. The China housing market remains a notable drag on growth, and new home sales continued to fall on a year-over-year basis. However, stronger-than-expected retail sales and the meeting between the Chinese and US presidents hint at lower tensions between the two superpowers, with potentially positive implications for global markets. The IT sector was again the best performing sector, closely followed by cyclical sectors, Industrials and Financials, with the Financial sector in particular benefitting from stronger interest margins and profits. The worst performing sector was Energy. Despite the ongoing conflict in the Middle East, the price of Brent fell to USD80 per barrel, in part thanks to OPEC+ members' failure to adhere to production quotas and perceived weaker demand. All major regions performed to a similar level, with Europe ex UK slightly outperforming others, on the back of a strong Financials sector and generally prior distressed price levels. The UK was the worst performing region, though its underperformance was modest.

Fund Commentary

Contributors: TransUnion shares recouped some of the losses made in October after the company published weak quarterly results, driven by lower marketing activity and tighter credit conditions, and pulled 2025 financial targets. Investors were encouraged to see management announce a cost savings plan in November to address this business uncertainty. Hexagon AB Class B shares rose following the appointment of two new independent board members at the end of November. Annika Falkengren, managing partner at Lombard Odier, and Ralph Hunter, President of Microsoft EMEA, bring a wealth of experience and credibility to the board. Significantly, these appointments also mean that the board is now independent, a critical foundation for improved governance practices at Hexagon. Hoya Corporation rose at the start of the month after posting a reassuring quarterly update, as their healthcare business delivered stronger-than-expected performance. Management also talked confidently that the worst of the destocking that has hurt their semiconductor mask blank and HDD (Hard Disc Drives) substrate businesses was behind them and that these businesses would see a recovery in demand from here.

Detractors: Schlumberger N.V. underperformed in November despite strong quarterly results in the previous month. The oil price has drifted lower in November as the conflict in Palestine has not spread more widely throughout the region as feared and OPEC has struggled to agree on any additional production cuts. Despite this, we feel that the multi-year outlook for Schlumberger remains compelling, based on the level of investment required to guarantee energy security. Samsonite International S.A. succumbed to profit taking this month as investors in the Consumer Discretionary sector rotated into beneficiaries of a potential peak in US interest rates. US homebuilders and autos were amongst those to gain at the expense of luxury goods and some travel-related shares. Compass Group posted quarterly results that illustrated good operating momentum and marginally beat consensus, albeit less of an upgrade than delivered by Sodexo and Aramark, which led to share price weakness post results.

Key Fund Facts

Estimated annual fund charges		Distributions: Generally does not distribute	Strategy Launch: July 2017
Wholesale:	Negotiated outside of the unit price.	Exclusions: Controversial weapons. Tobacco manufacturers.	Strategy size: \$572.6m
Retail:	1.20%, refer to PDS for more details.	Restrictions: Adult entertainment, gambling, fossil fuels, alcohol stocks. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website nikkoam.co.nz/invest/retail .	Buy / Sell spread: 0.07%/0.07%
KiwiSaver:	1.15% refer to PDS for more details.		

Compliance

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

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