

Nikko AM Global Equity Multi-Manager Unhedged Strategy

Monthly Update 30 April 2024

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

- The month of April saw a major reappraisal of risk, with global equities declining more than 2% over the month.
- Inflation in the US in Q1 was higher-than-expected which led a sharp reassessment of the number of expected interest rate reductions.
- Emerging markets performed well in April, defying the negative trend with an aggregate return of 1.56%.
- Global mega caps (as measured by the S&P Global 100 Index) returned -1.4% significantly outperforming the global benchmark return of -2.25%.
- Top performing sectors were utilities (2.2%) and energy (1.7%), while real estate (-6.8%) and information technology (-4.5%) performed the worst.

Fund Highlights

- The fund posted a negative return for the month, underperforming its benchmark.
- The top contributors to performance were GE Aerospace, KB Financial and Delta Air Lines.
- The key detractors from performance were Kinsale Capital, Old Dominion Freight Line and Steel Dynamics.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-3.09%	9.57%	30.96%	14.75%	16.70%	15.42%
Benchmark²	-2.25%	8.20%	22.60%	11.19%	12.09%	12.29%
Retail³	-2.59%	8.07%	29.02%	13.12%	15.33%	14.10%

1. Returns are before tax and before the deduction of fees and including tax credits (if any). 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.

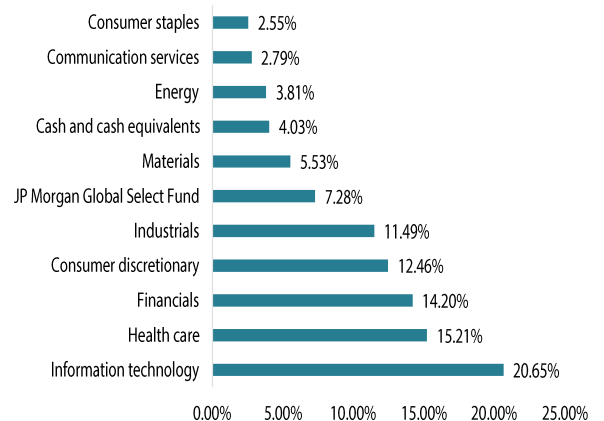
Objective

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
Microsoft	5.61	United States
Amazon	4.48	United States
Nvidia Corp	3.55	United States
Unitedhealth	2.74	United States
Progressive	2.11	United States
Safran	1.85	France
Visa	1.84	United States
Steel Dynamics	1.79	United States
Delta Air Lines	1.65	United States
Constellation Software	1.56	Canada

Manager	Allocation	Active Return
Royal London	45.17%	-1.02%
NAME & JP Morgan & Cash	29.63%	-0.53%
WCM	25.20%	-0.87%
Based on unhedged performance		

What helped		What hurt	
GE Aerospace	O/W	Kinsale Capital	O/W
KB Financial	O/W	Old Dominion Freight Line	O/W
Delta Air Lines	O/W	Steel Dynamics	O/W
OW: overweight; UW: underweight; NH: no holding – month end position			

Market Commentary

There is no question that the month of April saw a major reappraisal of risk, with global equities declining more than 2% over the month, in part prompted by geo-political events, but also due to some evidence that inflation in the US in Q1 was higher-than-expected which led a sharp reassessment of the number of expected interest rate reductions.

Emerging markets performed well in April, defying the negative trend with an aggregate return of 1.56%. Chinese equities were the highlight with a return of more than 9%, followed by Indian equities which returned 3.4%. Global mega caps (as measured by the S&P Global 100 Index) returned -1.4% significantly outperforming the global benchmark return of -2.25%. Some of the top performers in that category were GE Aerospace (17.1%), AstraZeneca (13.2%), Alphabet (9.0%), Tesla (5.4%), Novo Nordisk (1.0%) and Eli Lilly (1.5%).

April's top performing sectors were utilities (2.2%) and energy (1.7%), while real estate (-6.8%) and information technology (-4.5%) performed the worst.

Fund Commentary

The fund returned -3.09% (gross of fees) in April to underperform the benchmark return of -2.25% by 83 basis points (bps). The primary driver of April's underperformance was stock selection—mainly in the consumer discretionary, energy, materials, and financials sectors, while stock selection was positive in the healthcare sector. The funds underweights to outperforming sectors (utilities, energy, consumer staples and communication services) resulted in a small negative sector allocation effect.

The fund's key individual detractors from performance in April were spread across the financials, materials, and industrials sectors. Top of list was the specialty insurance company Kinsale Capital Group (KNSL) which fell 30% over the month. The share price has been extremely volatile over the last 12 months, which is not unusual for a young and fast-growing company. The North American trucking operator Old Dominion Freight Line and the railway operator Canadian Pacific Kansas City Ltd were the key detractors in the industrials sector while the negative stock selection effect in the materials sector was due to declines in the share prices of Steel Dynamics and Reliance, Inc.

However, there were a few positive stories. While the share prices of most insurance companies fell due to signs of more persistent inflation and a subsequent rally in bond yields, this led to some rotation into banks. The fund benefitted from gains in KB Financial Group, ICICI Bank, HDFC Bank and DBS Group Holdings. In the industrials sector, GE Aerospace and newly listed GE Vernova were the fund's two top performers, while Finland's paper and forestry business UPM-Kymmene and the US passenger airline Delta Air Lines also did well. AstraZeneca plc and Daiichi Sankyo Company contributed to gains in the healthcare sector.

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: \$316.9m
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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Geographical allocation

