

# Nikko AM Global Equity Multi-Manager Unhedged Strategy

Monthly Update 30 June 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

- Global equities (led by US mega cap technology stocks) performed very well over 2024 - the MSCI All Countries World Index returned 15.65% (NZD, unhedged) over the first half of 2024.
- Growth and Quality both advanced more than 4% over the quarter, while Value declined more than 2%.
- Emerging Markets also performed well with a gain of more than 3% over the three-month period.

## Fund Highlights

- The fund returned 1.11% over the June quarter to outperform the benchmark return of 0.98% by 13 basis points (bps).
- The fund benefitted most from its information technology exposures over the quarter, with Taiwan Semiconductor, NVIDIA Corp and Microsoft Corp adding the most value.
- The key detractors from performance were Apple Inc., Thor Industries and Old Dominion Freight Line.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	3.84%	1.11%	27.41%	14.62%	17.70%	15.63%
<b>Benchmark<sup>2</sup></b>	3.07%	0.98%	20.02%	10.35%	12.93%	12.44%
<b>Retail<sup>3</sup></b>	3.77%	1.02%	25.50%	12.88%	16.36%	14.34%

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.

## Five Year Cumulative Performance, \$10,000 invested<sup>1,2</sup>



## 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.

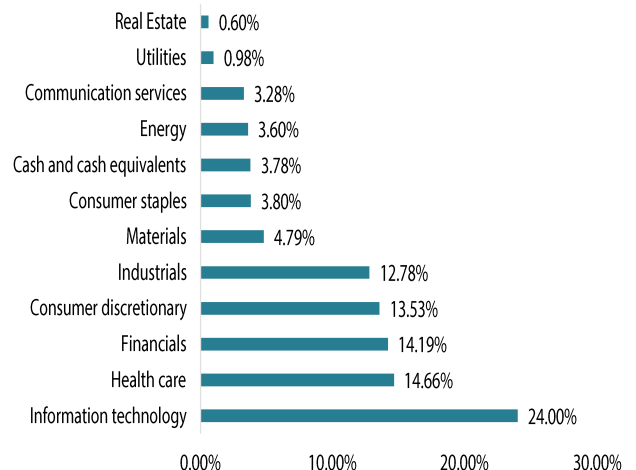
## Overview

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.

## Asset Allocation



Top 10 Holdings	% of Fund	Country
Microsoft	6.64%	United States
Nvidia	4.68%	United States
Amazon	4.18%	United States
Apple	2.23%	United States
Unitedhealth	2.20%	United States
Progressive	1.63%	United States
Safran Sa	1.50%	France
Taiwan Semicon mfg.	1.47%	Taiwan
Visa	1.39%	United States
Steel Dynamics	1.31%	United States

Manager	Allocation	Active Return
Royal London	35.49%	-0.48%
NAME & JP Morgan & Cash	41.93%	0.76%
WCM	22.58%	-0.47%
Based on unhedged performance		

What helped	What hurt
Taiwan Semiconductor	O/W Apple Inc. U/W
Nvidia Corp	O/W Thor Industries O/W
Microsoft Corp	O/W Old Dominion Freight Line O/W
OW: overweight; UW: underweight; NH: no holding – month end position	

## Market Commentary

Global equities (led by US mega cap technology stocks) performed very well over 2024 - the MSCI All Countries World Index returned 15.65% (NZD, unhedged) over the first half of 2024. Most of the gains came during the first quarter (when the Index returned 14.53%) while the Index treaded water over the second quarter with a gain of only 0.98%. Growth and Quality both advanced more than 4% over the quarter, while Value declined more than 2%. Emerging Markets also performed well with a gain of more than 3% over the three-month period. The 10 largest US companies currently account for almost one-third of the US equity market capitalisation – a degree of concentration we haven't seen in decades.

## Fund Commentary

The fund returned 1.11% over the June quarter to outperform the benchmark return of 0.98% by 13 basis points (bps). Among the underlying managers, Royal London (0.50%) and WCM (0.51%) both trailed the benchmark over the quarter, while NAME and JP Morgan both outperformed. NAME in particular stood out with a 3-month return of 1.44%.

The fund benefitted most from its Information Technology exposures over the quarter, with Taiwan Semiconductor, NVIDIA Corp and Microsoft Corp adding the most value. GE Aerospace and Netflix were the other key contributors, while Thor Industries, Old Dominion Freight Line and Steel Dynamics were among the main detractors from performance. Although Apple Inc. had a very good quarter, the fund's underweight exposure to the iPhone maker meant that the fund did not fully participate in Apple's strong performance over the quarter, resulting in the stock being one of the top detractors from performance.

Taiwan Semiconductor (TSMC) shares outperformed after the company released May sales data which illustrated that top line performance is tracking ahead of consensus expectations. This reconfirms the view that resilience in other regions is offsetting weakness in China while Apple's orders for TSMC's chips are intact. AI-driven growth is also accelerating, as TSMC adds more capacity next year. Shares of NVIDIA Corp continued to outperform in June after publishing better-than-expected quarterly figures in May. The company continues to see strong growth in its data centre compute business as demand for AI keeps accelerating. The launch of the more powerful Blackwell chips later this year should help to sustain growth. Meanwhile Apple's big rebound in the second quarter was driven by the company's planned launch of generative AI products in the second half of 2024. These AI capabilities will be included in new versions of the iPhone, iPad, and iMac.

Outside of the strong performance of technology companies, GE Aerospace (under one of America's top CEOs, Larry Culp), has been performing very well for several months now. The pureplay aerospace company is now the industry leader in jet engines for commercial aircraft, with an installed base of about 44,000 commercial and 26,000 military aircraft engines.

## Key Fund Facts

Estimated annual fund charges (incl. GST)	
<b>Wholesale:</b>	Negotiated outside of the unit price.
<b>Retail:</b>	1.42%, refer to PDS for more details.
<b>Hedging:</b>	Any foreign currency exposure in unhedged.

<b>Distributions:</b>	Generally does not distribute
<b>Exclusions:</b>	Any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009. Investment prohibited in tobacco manufacturers

<b>Strategy Launch:</b>	October 2008
<b>Strategy size:</b>	\$419.1m
<b>Buy / Sell spread:</b>	0.07%/0.07%

## Compliance

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

## Contact Us

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