

Nikko AM Global Equity Multi-Manager Unhedged Strategy

Monthly Update 30 September 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 quarter's top performing sectors were real estate, utilities, financials and industrials, while the energy and information technology sectors posted negative returns.
- In terms of investment styles, 'Value' (4.96%) significantly outperformed 'Growth' (-0.29%) and 'Quality' (-0.73%) over the quarter.
- Emerging Markets (4.27%) made a strong advance over the last two weeks, driven by a surge in Chinese equities.

Fund Highlights

- Of the four underlying managers, only NAME outperformed with a return of 2.40%, marginally better than the benchmark return. While WCM, JP Morgan and RLAM had a challenging quarter.
- The fund's top individual contributors to relative performance in the third quarter, were overweight positions in AppLovin Corp (information technology), Progressive Corp (financials) and UnitedHealth Group (healthcare), all of which outperformed.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	0.10%	0.79%	28.71%	14.33%	16.33%	14.68%
Benchmark²	0.62%	2.11%	24.42%	11.04%	11.86%	11.63%
Retail³	0.58%	0.78%	26.24%	12.50%	15.20%	13.34%

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.

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 Managing Director, Stuart Willams.

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.

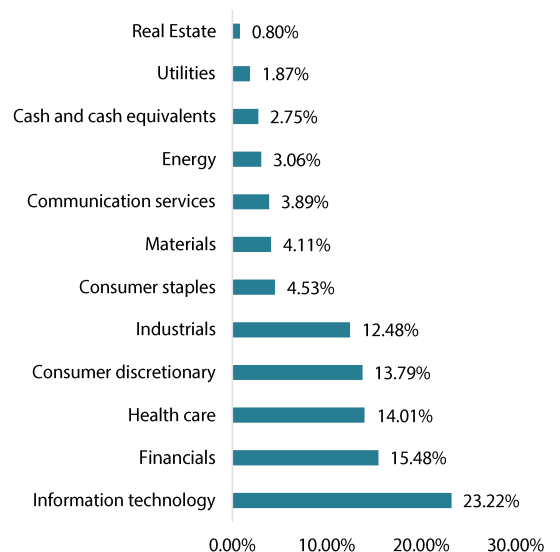
Objective

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	6.22%	United States
Amazon	4.94%	United States
Nvidia	4.83%	United States
Taiwan Semicon Mfg.	3.00%	Taiwan
Unitedhealth	2.97%	United States
Meta Platforms	2.18%	United States
Apple	1.88%	United States
Progressive	1.59%	United States
Safran	1.44%	France
Novo Nordisk	1.25%	Denmark

Manager	Allocation	Active Return
Royal London (Core)	28.56%	-1.63%
NAME (Quality) & JP Morgan (Core) & Cash	51.55%	-1.70%
WCM (Growth)	19.89%	-0.61%

Based on unhedged performance. Investment style in brackets.

What helped		What hurt	
AppLovin Corp. Class A	o/w	Amazon.com	o/w
Progressive Corp	o/w	Microsoft Corp.	o/w
UnitedHealth Group	o/w	Tesla, Inc.	u/w

OW: overweight; UW: underweight; NH: no holding – month end position

Market Commentary

Global equities, as measured by the MSCI All Countries World Index, posted a moderate gain of 2.11% (NZD, unhedged) in Q3 of 2024. In terms of investment styles, 'Value' (4.96%) significantly outperformed 'Growth' (-0.29%) and 'Quality' (-0.73%) over the quarter. Emerging Markets (4.27%) made a strong advance over the last two weeks, driven by a surge in Chinese equities. The MSCI China Index was down more than 7% for the quarter by the 12th of September, but then surged 18% in the last two weeks to end the quarter with a gain of almost 9%. The sharp turnaround was fuelled by economic stimulus measures announced by the Chinese government aimed at bolstering their struggling housing market and domestic demand. Investor sentiment was further lifted by expectations of additional fiscal stimulus measures on the horizon. Small Caps, as measured by the MSCI World Small Cap Index, advanced 4.87% over the quarter, while Mega Caps, tracked by the S&P Global 100 Index, declined 1.67%. Among the 'Magnificent 7', Tesla was an outlier with a return of 26.6%, while Meta Platforms (8.8%) and Apple (6.1%) also outperformed. The rest however disappointed with Alphabet (-12.7%) the worst. The quarter's top performing sectors were real estate, utilities, financials and industrials, while the energy and information technology sectors posted negative returns.

Fund Commentary

The fund delivered a return of 0.79% (gross of fees) over the quarter, underperforming the benchmark return of 2.11% by 132 basis points (bps). Out of the four underlying managers, only NAME outperformed with a return of 2.40% - marginally better than the benchmark return. While WCM, JP Morgan and RLAM had a challenging quarter.

The fund's top individual contributors to relative performance in the third quarter, were overweight positions in AppLovin Corp (information technology), Progressive Corp (financials) and UnitedHealth Group (healthcare), all of which outperformed. Conversely, overweight positions in Amazon.com (consumer discretionary) and Microsoft (information technology), both of which underperformed, detracted from performance. Additionally, the underweight position in Tesla (consumer discretionary) which gained more than 26% over the quarter, was among the key detractors from performance. Analysing the fund's performance attribution, stock selection had a more negative impact than the positive contribution from sector allocation over the quarter. Key detractors included negative allocation effects from underweights to the outperforming real estate and utilities sectors, as well as negative stock selection in the materials, energy, information technology, consumer discretionary and consumer staples sectors. However, underweight positions in the poorly performing energy and information technology sectors added value, while the stock selection effect was positive in the financials, healthcare and industrials sectors.

Finally, we noted that JP Morgan has adjusted their portfolio to better balance their growth and defensive exposures, adding to lower growth defensives such as consumer staples, utilities, financial services; but also adding to high growth cyclicals such as semi-conductors.

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:	\$472.2m
Retail:	1.42%, refer to PDS for more details.			Buy / Sell spread:	0.07%/0.07%
Hedging:	Any foreign currency exposure is unhedged.				

Compliance

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

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