

Nikko AM Global Equity Multi-Manager Unhedged Strategy

Monthly Update 31 October 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

- October 2024 faced greater uncertainty than normal, and markets swayed on every US election poll result.
- Geopolitical events also influenced markets, particularly the conflict in the Middle East, which created fluctuations in energy prices and heightened market volatility.
- Emerging markets such as India benefitted from high demand in technology sectors such as semiconductors, providing some counterbalance to the negative impacts on global equity performance from other emerging regions.

Fund Highlights

- In October, the fund returned 6.13% (gross of fees), outperforming the benchmark return of 4.51% by 162 basis points (bps).
- The underlying managers delivered strong performance over the month; with growth manager WCM leading the way.
- Stock selection was especially strong in the information technology, industrials, consumer discretionary and healthcare sectors. However, it detracted in the communication services and consumer staples sectors.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	6.13%	3.68%	36.08%	16.14%	17.61%	15.19%
Benchmark²	4.51%	2.36%	29.78%	12.20%	12.75%	12.02%
Retail³	6.61%	4.97%	35.79%	14.97%	16.12%	14.19%

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.

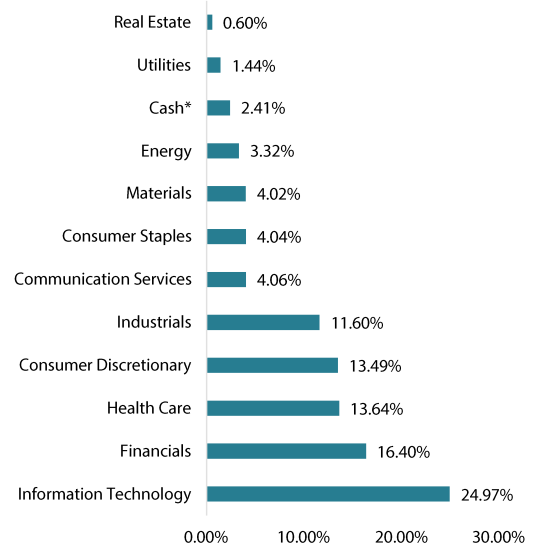
Objective

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	Manager	Allocation	Active Return	
Microsoft Corp	5.72	United States	Royal London (Core)	27.8%	1.67%	
NVIDIA Corp	5.31	United States	JP Morgan (Core)	31.6%	-0.15%	
Amazon.com	4.98	United States	NAME (Quality Growth)	19.7%	0.23%	
Taiwan Semiconductor	3.36	Taiwan	WCM (Growth)	20.1%	3.64%	
UnitedHealth Group	2.97	United States	Based on unhedged performance. Investment style in brackets. Cash not shown			
Meta Platforms	1.88	United States	What helped		What hurt	
Apple Inc.	1.80	United States	AppLovin Corp.	o/w	Alphabet Inc. Class C	u/w
Progressive Corp	1.50	United States	Taiwan Semiconductor Mfg. Co	o/w	JPMorgan Chase & Co.	u/w
AppLovin Corp	1.44	United States	Delta Air Lines	o/w	Apple Inc.	u/w
Safran SA	1.37	France	OW: overweight; UW: underweight; NH: no holding – month end position			

Market Commentary

October 2024 faced greater uncertainty than normal, and markets swayed on every US election poll result. While not delivering fireworks, global equity markets could not maintain their 5-month run of positive returns, falling more than 2% in US dollar terms over the month. For unhedged New Zealand investors however, it was a great month, with the MSCI All Countries World Index rising 4.51% (NZD, unhedged). This was helped by the NZ dollar's fall from 0.635 to 0.597 over the month, or in inverse terms, the US dollar gaining more than 6% against the NZ dollar. US equities, which represent 65% of the global benchmark, lead the charge with a gain of more than 6% (NZD), while emerging markets lagged, returning 2.3%. Global equity market performance was shaped by a combination of macroeconomic, geopolitical, and sector-specific factors. A key driver was central bank policy, particularly the US Federal Reserve's recent interest rate cuts, which sparked optimism for economic stability and growth. Geopolitical events also influenced markets, particularly the conflict in the Middle East, which created fluctuations in energy prices and heightened market volatility. Concerns over potential supply chain disruptions from this region added to investor caution, as did the continued challenges in China's property sector and uneven recovery. Despite these risks, emerging markets such as India benefitted from high demand in technology sectors like semiconductors, providing some counterbalance to the negative impacts on global equity performance from other emerging regions.

Fund Commentary

In October, the fund returned 6.13% (gross of fees), outperforming the benchmark return of 4.51% by 162 basis points (bps). The underlying managers delivered strong performance over the month; with growth manager WCM leading the way. Stock selection was especially strong in the information technology, industrials, consumer discretionary and healthcare sectors. However, it detracted in the communication services and consumer staples sectors. **AppLovin Corp**, a leading ad network and mediation platform company, was the fund's top performer in October, returning 38.7% following very strong Q3 results. AppLovin uses its AI-powered AXON and AppDiscovery ad recommendation platforms to help businesses of every size connect to their ideal customers, enabling them to reach, monetize and expand their global audiences. Two of the fund's semiconductor companies, **Nvidia** and **Taiwan Semiconductor (TSMC)**, posted double-digit gains over the month, driven by announcements by several companies in the industry planning significant expansions to their AI-infrastructure-related spending. This is expected to result in strong demand growth for Nvidia's world leading GPUs, and for TSMC's chips. **Delta Airlines** was another top performer - its shares rallied 20% to their highest level since February 2020. This was in response to a sharp decline in crude oil prices, which dropped more than 6% after Israeli airstrikes on Iranian military installations avoided Iran's oil infrastructure, thereby averting a broader energy supply crisis. The fund's top detractors from performance were primarily nil exposure or underweights to companies which performed well, for example, **Alphabet Class C**, **JP Morgan Chase**, **Apple Inc.** and **Alphabet Class A**. The overweight position in luxury goods company **LVHM** (held by Royal London and JP Morgan) was the exception, its share price fell almost 8% over the month, partly due to headwinds from China, which accounts for more than 20% of the luxury industry's revenues.

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:	\$515.5m
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 month.

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