

# Nikko AM Global Shares Unhedged Strategy

Monthly Update 31 October 2024

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

- Growth stocks outperformed their value counterparts but still fell 1.8% (USD terms) in the month, while small caps again underperformed, though the delta was small.
- US third-quarter GDP growth came in at a healthy 2.8%, confirming that the economy continues to grow at an above-trend pace.
- Emerging and Asian markets were among the worst-performing regions, hampered by a stronger dollar.

## Fund Highlights

- The fund posted a positive return for the month, ahead of its benchmark.
- Key contributors for the month were Booking Holdings Inc., Interactive Brokers Group, Inc. and Netflix, Inc.
- Key detractors were Synopsys, Inc., Elevance Health, Inc., Haleon PLC and Danaher Corporation.

## 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>	4.70%	3.90%	37.04%	10.75%	14.63%	
<b>Benchmark<sup>2</sup></b>	4.51%	2.36%	29.78%	12.20%	12.75%	
<b>Retail<sup>3</sup></b>	6.01%	6.86%	38.61%	10.36%	13.54%	
<b>KiwiSaver<sup>3</sup></b>	6.00%	6.90%	38.67%	10.40%	13.61%	

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 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.

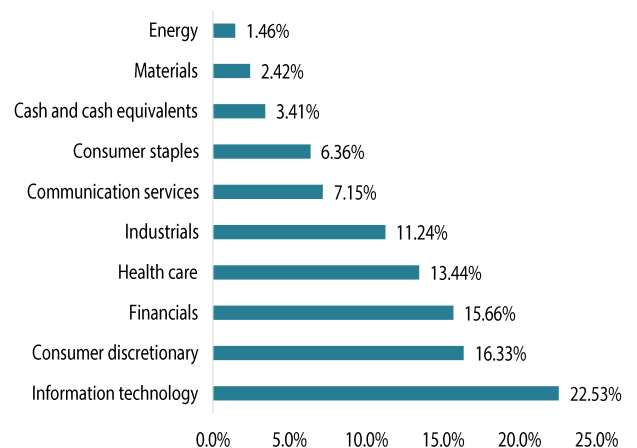
## Objective

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<sup>1,2</sup>



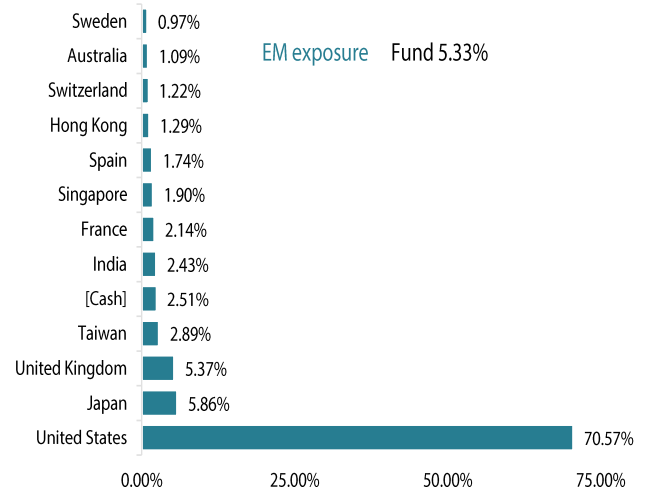
## Sector Allocation (Includes cash in NZ PIE)



## Top 10 Holdings

	% of Fund	Country
Nvidia	6.30	United States
Microsoft	5.82	United States
Amazon	4.43	United States
Meta Platforms	4.04	United States
Netflix	3.11	United States
Taiwan Semicon Manufacturing Co Ltd	2.87	Taiwan
Compass	2.75	United Kingdom
Intercontinental Exchange	2.68	United States
Broadcom	2.64	United States
Cencora	2.61	United States

## Geographical Allocation (Includes cash in NZ PIE)



## Market Commentary

October 2024 faced greater uncertainty than normal, and markets swayed on every US election poll result. Growth stocks outperformed their value counterparts but still fell 1.8% (in USD terms) in the month, while small caps again underperformed, though the delta was small. The portfolio again outperformed its benchmark (19 bps) – all driven by stock picking. With the US election in early November, it wasn't surprising for market and stock moves to be muted. US markets fell but outperformed other global markets, buoyed by nonfarm payrolls rising by 254,000 (versus the expected 140,000) and the unemployment rate falling to 4.1%. US third-quarter GDP growth came in at a healthy 2.8%, confirming that the economy continues to grow at an above-trend pace. In Europe, there was more evidence of a weakening economic backdrop, with Germany at the epicenter. Japan also underperformed, partly driven by the hawkish tone from the Bank of Japan (BoJ) at its October meeting, and the ruling coalition's loss in the election adding to political instability. China's recent support measures have renewed focus on the country's equity market. In October, policymakers introduced new initiatives that will allow local governments to use special bonds to purchase land from troubled developers alongside a planned debt ceiling hike for local governments. Despite this positive news, Emerging and Asian markets were among the worst-performing regions, hampered by a stronger dollar.

## Fund Commentary

**Contributors: Booking Holdings Inc.** outperformed this month, helped by stronger than expected financial results at the end of the month. The results showed an unexpected reacceleration in revenue growth (to 8%) and strong margins and were accompanied by a very confident outlook from management. Recent portfolio addition **Interactive Brokers Group, Inc.** was another stock to beat the market this month. Quarterly results confirmed continued strong trading at the business and sentiment towards the stock was also supported by a move upwards in bond yields, following stronger than expected economic data in the USA (suggesting a slower Fed easing cycle). **Netflix, Inc.** continued to deliver strong returns this month, following another set of very solid earnings. Crucially, subscriber growth of 10% suggests that engagement levels remain high, enabling management's ongoing push to increase advertising-related revenues and expand operating margins.

**Detractors: Elevance Health, Inc.** fell sharply after belatedly succumbing to margin pressure noted by Medicaid peers earlier in the year. This Medicaid redetermination process has had a much more profound impact on patient acuity than previous cycles and Elevance had not priced their health plans on that basis. This has led to significant, temporary margin pressure in this book of business. **Haleon PLC** saw some profit taking this month (after a very strong third quarter). The driver of this was comments from peers regarding weaker volumes because of retailer destocking and uncertainty over the strength of the upcoming cold & flu season. Despite this, Haleon management confidently reiterated their full year guidance towards month end. **Danaher Corporation** also underperformed this month. The company had been something of a safe haven within the Tools space. Although management confirmed a steady recovery in Bioprocessing, their comments of a more gradual than expected recovery in demand from China and for lab equipment unnerved investors.

## Key Fund Facts

<b>Estimated annual fund charges</b>		<b>Distributions:</b> Generally does not distribute	<b>Strategy Launch:</b> July 2017
<b>Wholesale:</b>	Negotiated outside of the unit price.	<b>Exclusions:</b> Controversial weapons. Tobacco manufacturers.	<b>Strategy size:</b> \$571.1m
<b>Retail:</b>	1.20%, refer to PDS for more details.	<b>Restrictions:</b> Adult entertainment, gambling, fossil fuels, alcohol stocks. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="http://nikkoam.co.nz/invest/retail">nikkoam.co.nz/invest/retail</a> .	<b>Buy / Sell spread:</b> 0.07%/0.07%
<b>KiwiSaver:</b>	1.15% refer to PDS for more details.		

## Compliance

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

## Contact Us

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