

Nikko AM Global Equity Multi-Manager Hedged Strategy

Monthly Update 30 November 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 MSCI All Countries World Index gained 4.37% (NZD, unhedged) in November.
- Most of the other major global equity markets underperformed.
- In terms of investment styles, Small Caps and Growth outperformed, while Value underperformed.
- The consumer discretionary, financials and energy sectors were the top performers in November.

Fund Highlights

- The fund returned 6.22% (gross of fees), outperforming the benchmark return of 4.13% by 209 basis points (bps).
- Growth manager WCM posted an exceptionally strong outperformance of 759 bps, driven by its top holding AppLovin Corp.

Performance

| | One month | Three months | One year | Three years (p.a.) | Five years (p.a.) | Ten years (p.a.) |
|------------------------------|-----------|--------------|----------|--------------------|-------------------|------------------|
| Wholesale¹ | 6.22% | 7.14% | 34.54% | 11.06% | 15.06% | 12.44% |
| Benchmark² | 4.13% | 4.92% | 27.46% | 6.61% | 10.19% | 9.32% |
| Retail³ | 3.90% | 7.06% | 32.20% | 8.53% | 13.04% | 10.87% |

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) 100% gross hedged to NZD. 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 Williams.

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 gross hedged at 100% to NZD.

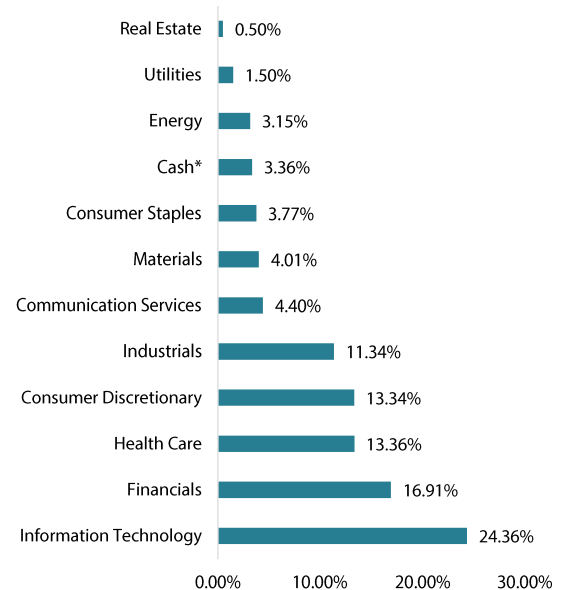
Objective

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 Corp | 5.68 | United States |
| Amazon.com | 5.17 | United States |
| NVIDIA Corp | 4.71 | United States |
| UnitedHealth Group Inc | 3.02 | United States |
| Taiwan Semiconductor mfg. | 2.35 | Taiwan |
| AppLovin Corp | 2.21 | United States |
| Meta Platforms Inc | 1.79 | United States |
| Apple Inc. | 1.76 | United States |
| Progressive Corp | 1.59 | United States |
| Safran SA | 1.37 | France |

| Manager | Allocation | Active Return |
|-----------------------|------------|---------------|
| Royal London (Core) | 27.9% | 1.54% |
| JP Morgan (Core) | 30.9% | -0.41% |
| NAME (Quality Growth) | 19.5% | 1.75% |
| WCM (Growth) | 21.4% | 7.59% |

Based on unhedged performance. Investment style in brackets. Cash not shown

| What helped | | What hurt | |
|-------------------------|-----|----------------------|-----|
| AppLovin Corp. | o/w | Tesla, Inc. | u/w |
| Amazon.com | o/w | Apple Inc. | u/w |
| UnitedHealth Group Inc. | o/w | JPMorgan Chase & Co. | u/w |

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

Market Commentary

The MSCI All Countries World Index gained 4.37% (NZD, unhedged) in November, with US equities once again being the key driver of performance, as markets responded positively to the election of Donald Trump as the next US President. Trump's inauguration as the 47th US President is scheduled for Monday, 20 January 2025.

Most of the other major global equity markets underperformed – UK equities (2.0%) and Japanese equities (1.2%) posted positive returns, while Europe ex-UK equities (-2.0%) and emerging market equities (-3.0%) saw negative returns in November. In terms of investment styles, Small Caps and Growth outperformed, while Value underperformed.

The consumer discretionary, financials and energy sectors were the top performers in November, with information technology and industrials sectors marginally outperforming the benchmark. The worst performing sectors were materials and healthcare – both ended the month with a negative return.

Fund Commentary

Among the underlying managers, the Growth manager WCM posted an exceptionally strong outperformance of 759 bps, driven by its top holding AppLovin Corp, which surged 100% over the month. The ad network and mediation platform company **AppLovin Corp**, was the fund's top performer for the second consecutive month, soaring 100% in November after a nearly 40% return in October. WCM, the manager holding AppLovin, continues to view the company as a high-conviction idea. AppLovin has exceeded expectations for seven consecutive quarters, with average revenue growth well over 60% year-over-year, driven by the strong performance of Axon 2.0, AppLovin's AI-enabled ad-placement engine. Axon 2.0 is expected to drive 20-30% growth in AppLovin's software platform over the next several years. Following its earnings release in early November, WCM met with several company executives, which further reinforced their bullish position in the company. The opportunity in mobile games continues to grow, and there is a potentially significant opportunity in e-commerce that many investors may not yet have fully factored into their valuations.

Overweights to **Amazon.com** and UnitedHealth Group, both of which outperformed, also had a meaningful impact on the fund's overall performance. Amazon.com recently delivered outstanding financial results, with Amazon Web Services (AWS) the primary growth driver. Meanwhile, the health insurer **UnitedHealth Group** rose 8.7% over the month, despite facing a significant legal challenge to its US\$3.3 billion acquisition of Amedisys Inc. The US Justice Department raised antitrust concerns, citing potentially higher healthcare costs, as Amedisys competes directly with LHC Group, which UnitedHealth Group acquired for US\$5.4 billion in 2022.

The fund's key detractors from performance were primarily underweight positions in names which performed exceptionally well during the month. Electric vehicle maker **Tesla** was the top detractor, after its share price soared 39%, no doubt related to Elon Musk's growing and powerful influence he is establishing with the incoming administration. The fund's exposure of 0.27% is significantly less than Tesla's weight of 1.25% in the benchmark. Similarly, the fund's 1.76% exposure to **Apple** is markedly less than its benchmark weight of 4.54%. Additionally, the fund has no exposure to **JP Morgan Chase & Co**, which gained 13.2% over the month.

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: \$287.2m |
| Retail: | 1.42%, refer to PDS for more details. | | Buy / Sell spread: 0.07%/0.07% |
| Hedging: | Any foreign currency exposure is gross hedged at 100% to NZD. The permitted operational hedging range is 95% to 105%. | | |

Compliance

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

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