

Nikko AM Global Shares Unhedged Strategy

Monthly Update 30 November 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

- One of the immediate outcomes from the US election result has been the anticipation of sweeping deregulation and rising real rates, propelling the financial sector higher.
- Prior AI winners underperformed, so it was particularly pleasing to deliver strong relative performance while our AI holdings paused for breath.
- Emerging markets significantly underperformed developed markets, with Asian equities declining due to concerns about a future trade conflict.

Fund Highlights

- The fund posted a positive return for the month, ahead of its benchmark.
- Key contributors for the month were Interactive Brokers Group, Inc.'s, Netflix, Inc. and Ryan Specialty Holdings, Inc.
- Key detractors were Tesla, Inc., Hitachi, Ltd.'s and Taiwan Semiconductor Manufacturing Co., Ltd.'s

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	6.12%	11.76%	41.90%	12.26%	15.12%	
Benchmark²	4.37%	9.75%	31.68%	12.73%	13.19%	
Retail³	4.19%	12.37%	39.75%	10.31%	13.60%	
KiwiSaver³	4.20%	12.36%	39.83%	10.35%	13.68%	

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.

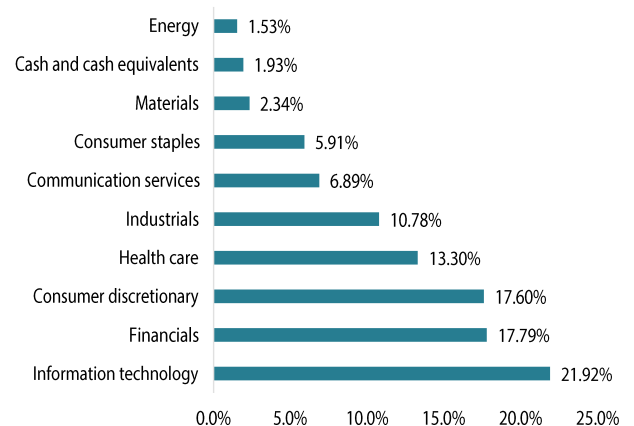
Objective

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^{1,2}



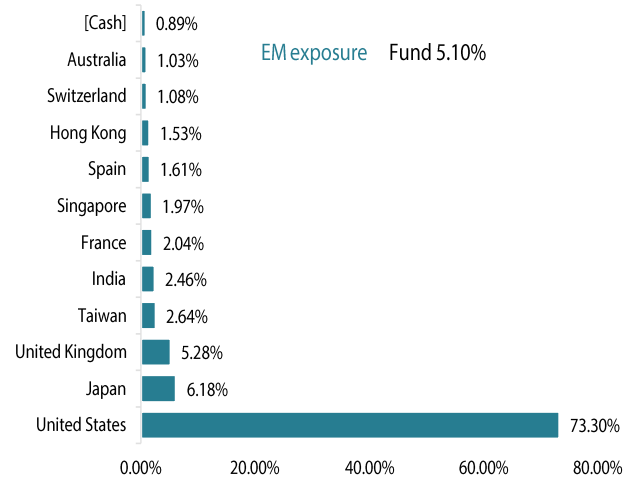
Sector Allocation (Includes cash in NZ PIE)



Top 10 Holdings

	% of Fund	Country
Microsoft	5.79	United States
Nvidia	5.79	United States
Amazon	4.72	United States
Meta Platforms	3.91	United States
Netflix	2.98	United States
Compass	2.78	United Kingdom
Cencora	2.75	United States
Interactive Brokers	2.72	United States
Booking Hldgs	2.65	United States
Intercontinental Exchange	2.64	United States

Geographical Allocation (Includes cash in NZ PIE)



Market Commentary

The US elections were undoubtedly the star show for November, and although a Trump victory was increasingly the likely outcome, the scale of the Republican victory was the cliffhanger ending. Trump Season 2 starts in January, and it promises to have us on the edge of our seats in a weird intoxication. The stars are bigger than ever, with Elon Musk and JFK Junior joining Donald Trump as lead actors. One of the immediate outcomes from the election result has been the anticipation of sweeping deregulation and rising real rates, propelling the financial sector higher. The big winning region was the USA, as MAGA policies look to support growth back home while penalising overseas exporters. However, prior AI winners underperformed, so it was particularly pleasing to deliver strong relative performance while our AI holdings paused for breath. AI remains the biggest area of growth across markets with as yet no sign of a slowdown. Although most mega caps didn't perform well, there was an exception in Tesla, which rose more than 35% on the back of the new Broligarchy* established at the White House. Tesla was the largest detractor to fund performance based on it not having Future Quality characteristics and hence not owned. Outside US markets, the election result was met with some caution. Emerging markets significantly underperformed developed markets, with Asian equities declining due to concerns about a future trade conflict and the assessment that the previously announced Chinese government support is not yet sufficient to overcome the domestic real estate and confidence crisis. Europe – which increasingly looks in political and economic difficulty – also performed poorly.

* Broligarchy – refers to a power structure where a small group of men, often distinguished by their 'bro-ness', control a political or social system.

Fund Commentary

Contributors: Interactive Brokers Group, Inc.'s shares surged due to strong quarterly earnings announced in October and increased trading volumes post the US election. The company's robust platform and competitive pricing continue to attract more clients amid market volatility, boosting investor confidence. **Netflix, Inc.** outperformed due to continued subscriber growth and popular new content releases. The company's ability to consistently deliver engaging content helped it maintain its leading position in the streaming market, and we anticipate management will continue to deliver gains in 2025. **Ryan Specialty Holdings, Inc.** had a strong performance in November, driven by impressive third-quarter results. The company also benefits from continued industry consolidation in the wholesale broking industry.

Detractors: Tesla, Inc. was the biggest detractor for the portfolio over the month due to the shares rising 35% and our zero weighting in the portfolio. The main driver for the shares was the success of Donald Trump in the US General Election and Elon Musk's likely appointment to lead the newly created Department of Government Efficiency ('DOGE'). It is viewed that lower government regulation may accelerate Tesla's opportunity to dominate the Autonomous Vehicle ('AV') market. **Hitachi, Ltd.**'s second quarter results were a disappointment for the market, with raised full-year guidance matching what consensus was already expecting and a reminder of the drag from underperforming segments, with a one-off write-down in one of their smaller affiliates. **Taiwan Semiconductor Manufacturing Co., Ltd.**'s shares fell despite strong quarterly results, continued market share gains, higher demand from Nvidia's Hopper GPU chip, and raised guidance. However, the shares were weak as the market started to price in likely Trump tariffs and subsequent implications for future trading for the company.

Key Fund Facts

Estimated annual fund charges		Distributions: Generally does not distribute	Strategy Launch: July 2017
Wholesale:	Negotiated outside of the unit price.	Exclusions: Controversial weapons. Tobacco manufacturers.	Strategy size: \$601.8m
Retail:	1.20%, refer to PDS for more details.	Restrictions: Adult entertainment, gambling, fossil fuels, alcohol stocks. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website nikkoam.co.nz/invest/retail .	Buy / Sell spread: 0.07%/0.07%
KiwiSaver:	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

www.nikkoam.co.nz | nzenquiries@nikkoam.com

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.