

Nikko AM Global Shares Unhedged Strategy

Monthly Update 31 March 2025

Assets are held in the Nikko AM NZ Wholesale Global Shares Fund. The Nikko AM Global Shares Fund (retail) and the GoalsGetter KiwiSaver Scheme Nikko AM Global Shares Fund invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- As the call for US Exceptionalism reached a frenzy, a shift towards "America First" policies was assumed to strengthen the headwinds for economic growth in other parts of the world.
- The US market underperformed by more than 5% over the quarter, while Europe and the UK performed strongly.
- The best-performing sectors were those that struggled prior – Consumer Staples, Utilities and Healthcare. Though it wasn't just the defensive cohort that performed well, as Energy, Materials, and Financials also outperformed.
- Emerging market equities outperformed developed markets, with Hong Kong and Latam equities performing strongly.

Fund Highlights

- The fund posted a negative return for the month and quarter, in line with the benchmark.
- Key contributors for the quarter were: Cencora, Inc., Sony Group Corporation and Palomar Holdings, Inc.
- Key detractors for the quarter were: Bio-Techne Corporation, Oracle Corporation, NVIDIA Corporation, Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC) and Broadcom Inc.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-5.13%	-2.54%	15.39%	14.83%	17.09%	
Benchmark²	-4.97%	-2.39%	13.17%	14.49%	16.23%	
Retail³	-4.24%	-3.15%	13.85%	13.11%	15.77%	
KiwiSaver³	-4.25%	-3.19%	13.80%	13.13%	15.84%	

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.

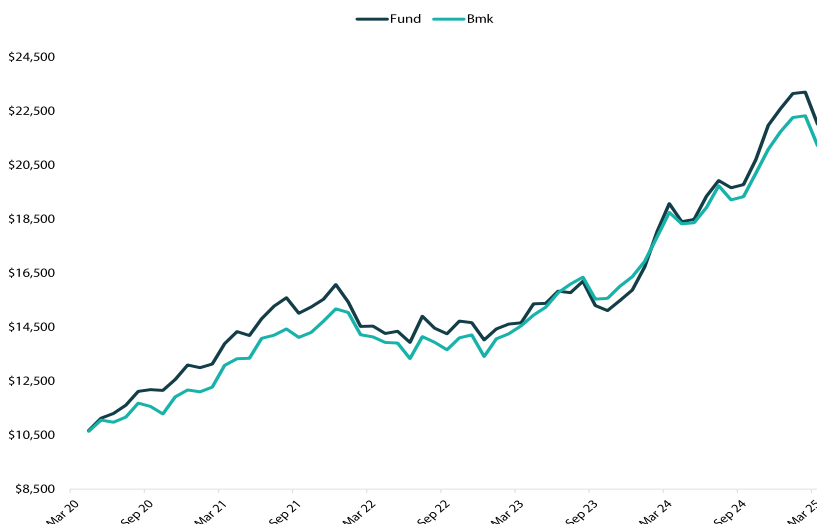
Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth.

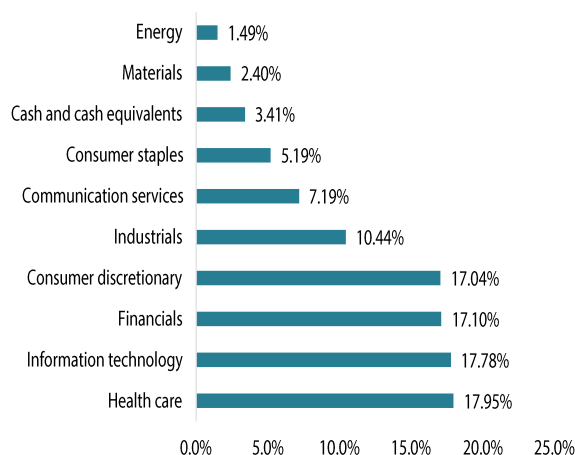
Objective

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}



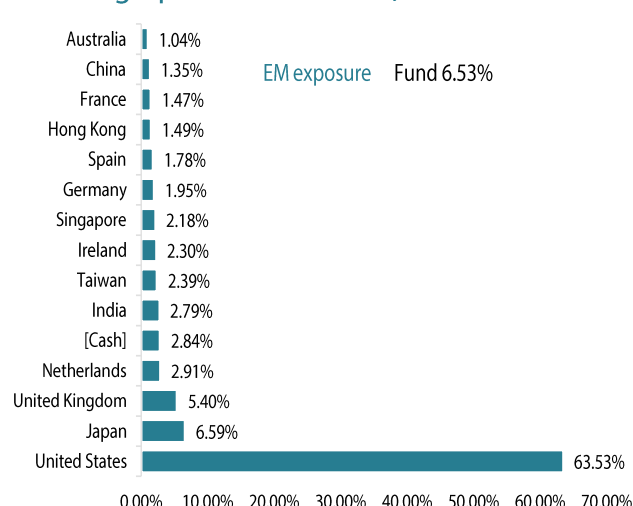
Sector Allocation (Includes cash in NZ PIE)



Top 10 Holdings

	% of Fund	Country
Microsoft Corp	4.80	United States
Amazon Com Inc	4.40	United States
Nvidia Corp	4.25	United States
Meta Platforms Inc	3.99	United States
Sony Corp	3.21	Japan
Netflix Inc	3.20	United States
Coca-Cola Europacific Partners	2.89	United Kingdom
Intercontinental Exchange Inc	2.89	United States
HDFC Bank Ltd	2.77	India
Cencora Inc Com	2.75	United States

Geographical Allocation (Includes cash in NZ PIE)



Market Commentary

As the call for US Exceptionalism reached a frenzy, a shift towards “America First” policies was assumed to strengthen the headwinds for economic growth in other parts of the world. However, the first quarter of 2025 has been a stark reminder that risk and volatility are never far away, and fundamental shifts in policy can have unintended consequences, such as the galvanizing effect of Europe coming together to shore up their own borders. By the end of the quarter, everything, everywhere, all at once had turned upside down. The best-performing sectors were those that struggled prior – Consumer Staples, Utilities and Healthcare. Though it wasn’t just the defensive cohort that performed well, as Energy, Materials, and Financials also outperformed. Unsurprisingly, the high beta sectors, which also happen to be heavily weighted to AI – Consumer Discretionary, Communication Services, and Information Technology – all materially underperformed. The US market underperformed by more than 5% over the quarter, while Europe and the UK performed strongly. European Commission President Ursula von der Leyen announced her proposal for close to Euro 800 billion of spending to boost the bloc’s defense capabilities, while Germany’s incoming chancellor Friedrich Merz is also loosening the purse strings with proposals to ease off the debt brake for defense spending with a new Euro 500 billion infrastructure spending plan, driving European markets higher. Emerging market equities outperformed developed markets, with Hong Kong and Latam equities performing strongly. Value stocks outperformed their growth counterparts by more than 10%, while smaller companies lagged, as rising trade uncertainty drove concerns around both weaker growth and stronger inflation.

Fund Commentary

Contributors: Cencora, Inc. saw strong performance in the quarter, which accelerated in March, driven by impressive fiscal results earlier in the year, the closing of the RCA acquisition, and the sale of Walgreens Boots’ stake in the company. The latter had been an overhang on the stock, and hence the share transaction, along with a generally more favorable investment environment for defensive stocks, led to a strong share price performance. **Sony Group Corporation** continued to perform well in March, buoyed by positive news flow and solid financial performance, particularly driven by strength in the gaming and music divisions, while management provided an upbeat outlook for 2025. Sony’s innovative initiatives, such as the launch of a comprehensive blockchain-centric Web3 solution, have positioned it well in the tech space. **Palomar Holdings, Inc.**, the leading provider of earthquake insurance, performed well on the back of strong 2024 results and a positive tone set by management for 2025. They also completed the acquisition of First Indemnity of America, which has supported future forecasts.

Detractors: Bio-Techne Corporation experienced a challenging quarter despite reporting solid Q2 FY2025 results, with a 9% increase in organic revenue and higher EPS. The initial trigger for the weakness was the announcement that the US Government plans to restrict funding for the National Institutes of Health. Although this is less than 5% of sales, this led to concerns that this may slow the rate of recovery in the business. Despite registering very strong bookings, **Oracle Corporation’s** share price has been under pressure as their Q3 revenues and margins fell slightly short of market expectations. In addition, investors have started to anticipate a more challenging spending backdrop for their client base. The fund also had negative performance from **NVIDIA Corporation**, **Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)** and **Broadcom Inc.**, which suffered as high beta US stocks were sold towards the end of the quarter. The market questioned the immediate returns for the AI hyperscalers and hence started to anticipate a slowdown in IT hardware spending.

Key Fund Facts

Estimated annual fund charges		Distributions:	Generally does not distribute	Strategy Launch:	July 2017
Wholesale:	Negotiated outside of the unit price. 1.20% refer to PDS for more details. 1.35% refer to PDS for more details.	Exclusions:	Controversial weapons. Tobacco manufacturers.	Strategy size:	\$616.8m
Retail:		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:					

Compliance

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

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