

Nikko AM Global Shares Unhedged Strategy

Monthly Update 28 February 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

- After a prolonged period of underperformance, Consumer Staples led the way, followed by the Real Estate, Financials and Energy sectors.
- There was a significant drawdown in prior winners, with Consumer Discretionary, Communications Services, and IT losing value, and the mega-cap names within being particularly hit.
- Despite escalated rhetoric on US tariffs, Asian markets easily outperformed US counterparts, while investors anticipated further financial support from Chinese authorities.

Fund Highlights

- The fund posted a positive return for the month, slightly behind the benchmark.
- Key contributors for the month were: Sony Group Corporation, Progressive Corporation and Intercontinental Exchange.
- Key detractors for the month were: Bio-Techne Corporation, Trip.com Group Ltd. and Amazon.com, Inc.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	0.21%	5.59%	28.66%	16.90%	16.56%	
Benchmark²	0.28%	5.89%	25.10%	16.22%	15.10%	
Retail³	-1.54%	3.58%	25.69%	14.65%	14.85%	
KiwiSaver³	-1.56%	3.52%	25.66%	14.67%	14.93%	

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.

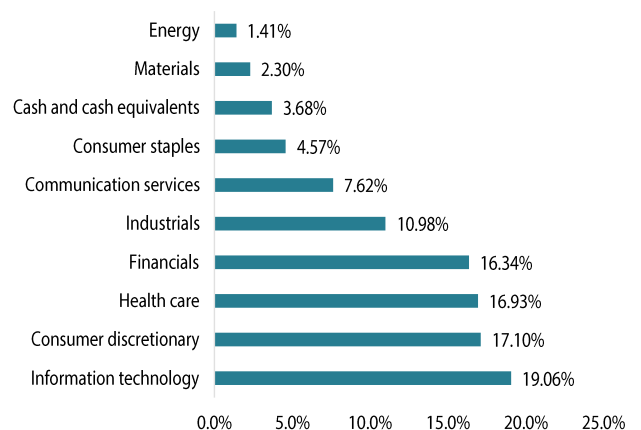
Objective

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}



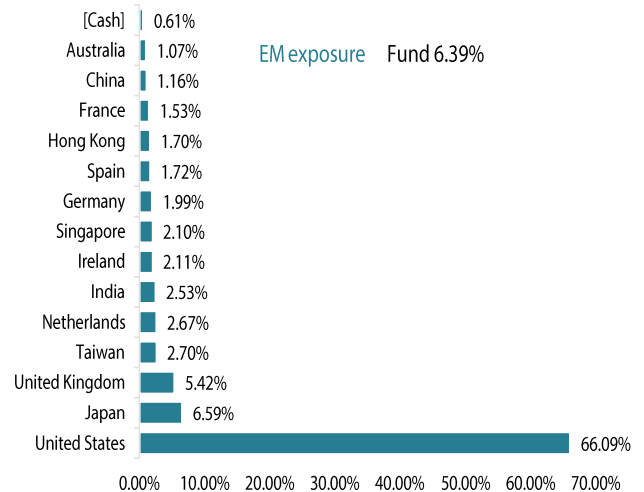
Sector Allocation (Includes cash in NZ PIE)



Top 10 Holdings

	% of Fund	Country
Microsoft Corp	4.84	United States
Amazon Com Inc	4.68	United States
Nvidia Corp	4.67	United States
Meta Platforms Inc	4.41	United States
Netflix Inc	3.21	United States
Sony Corp	3.02	Japan
Intercontinental Exchange Inc	2.76	United States
Compass Group	2.76	United Kingdom
Taiwan Semicon Manufacturing Co	2.62	Taiwan
Coca-Cola Europacific Partners	2.58	United Kingdom

Geographical Allocation (Includes cash in NZ PIE)



Market Commentary

Protection was the order of the day across markets in February, with all defensive segments of the market on the receiving end of a bid. After a prolonged period of underperformance, Consumer Staples led the way, followed by the Real Estate, Financials and Energy sectors. Although markets were flat over the month, averages yet again hid what lay beneath the surface. There was a significant drawdown in prior winners, with Consumer Discretionary, Communications Services, and IT losing value, and the mega-cap names within being particularly hit. Despite a heavy rotation towards value, which outperformed growth by more than 4% over the month, the portfolio performed in line with global indices for the second month in a row, reflecting a relatively successful reporting season in terms of company numbers, even if upgrades weren't always immediately followed by share price gains. Despite escalated rhetoric on US tariffs, Asian markets easily outperformed US counterparts, while investors anticipated further financial support from Chinese authorities. Higher relative gains in Europe were fueled by fears of a slowing US consumer on the back of DOGE-led government redundancies, while growth in Europe should be supported by increased defense spending and a bottoming in the general economic cycle across the continent.

Fund Commentary

Contributors: Sony Group Corporation had a strong February, 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. The anticipation of new leadership with Hiroki Totoki taking over as President and CEO in April 2025 also added to the positive sentiment. **Progressive Corporation** reported impressive results, with net premiums written increasing by 18% year-over-year and net income surging by 59%. Despite the estimated USD43 million in losses from the Los Angeles wildfires, the company's strong financial performance and robust growth in policies in force across personal and commercial lines have driven its stock higher. The market's positive reaction to these results reflects confidence in Progressive's resilience and growth prospects. **Intercontinental Exchange Inc.** outperformed after posting solid numbers in February. The bar had been lowered after a disappointing Q3, specifically regarding ICE's Mortgage Technology business, but with expectations reset, ICE is now positioned to deliver. Green shoots are forming in the mortgage market, especially on the purchase side, and ICE is spring-loaded for any form of recovery, having signed marquee lenders in the past few quarters. ICE continues to benefit from volatility in markets through its core exchange business, which helped during the month.

Detractors: Bio-Techne Corporation experienced a challenging February despite reporting solid results during the month, 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 accounts for less than 5% of sales, it led to concerns that this may slow the rate of recovery in the business. **Trip.com Group Ltd.** delivered strong Q4 2024 financial results, with a 23% year-over-year increase in net revenue and a significant rise in net income. However, the company's management team provided more conservative guidance compared to expectations, and downgrades in future gross margins have been forthcoming from analysts. The shares had performed well going into the results, which also influenced the scale of the selloff in the shares. **Amazon.com, Inc.** reported robust Q4 2024 results, with a 10% increase in net sales and significant growth in operating income. Despite these positive figures, the stock underperformed in February due to broader market sentiment and concerns about the sustainability of AI spending and subsequent returns. Growth headwinds were aplenty in February, as was the general underperformance of the Mag7 and US stocks, hence Amazon's shares succumbed to profit-taking, which in our view is healthy over the long term.

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: \$654m
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:	1.35% refer to PDS for more details.		

Compliance

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

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