

Nikko AM Global Equity Multi-Manager Unhedged Strategy

Monthly Update 31 December 2024

Assets are held in the Nikko AM NZ Wholesale Global Equity Unhedged Fund. The Nikko AM Global Equity Multi-Manager Unhedged Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- Global Equity markets (NZD, unhedged) finished off 2024 with a very strong month and quarter to close out what was a second straight spectacular year.
- The Kiwi fell sharply over the month and the quarter, versus the USD in particular, so returns for unhedged NZ investors in global shares were very strong.
- The MSCI ACWI Index (NZD Unhedged) was up 3.1% for December and up 14.1% for the quarter.
- In terms of sector performance, consumer discretionary, communication services, information technology and financials all outperformed the broader market.
- In terms of investment style, "Growth" outperformed "Value" for the quarter and for the year.
- Similarly Developed markets outperformed Emerging markets by a significant margin.

Fund Highlights

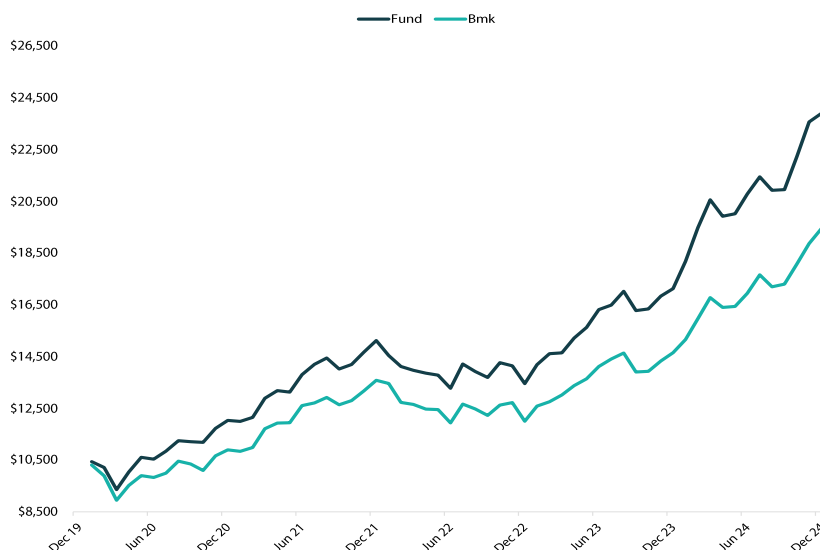
- The fund returned 14.09% over the fourth quarter, outperforming the global equity index (MSCI ACWI) return of 12.44% by 1.65%.
- WCM ('growth' style) was the standout underlying manager, outperforming by a substantial 9.53% over the quarter.
- In terms of individual performance drivers over the quarter, the top contributors to the fund's relative performance were in technology-related names.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	1.40%	14.09%	39.56%	16.49%	19.04%	16.13%
Benchmark²	3.09%	12.44%	32.78%	12.72%	14.23%	12.93%
Retail³	0.56%	12.67%	36.60%	14.51%	17.42%	14.71%

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.

Five Year Cumulative Performance, \$10,000 invested^{1,2}



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 Willams.

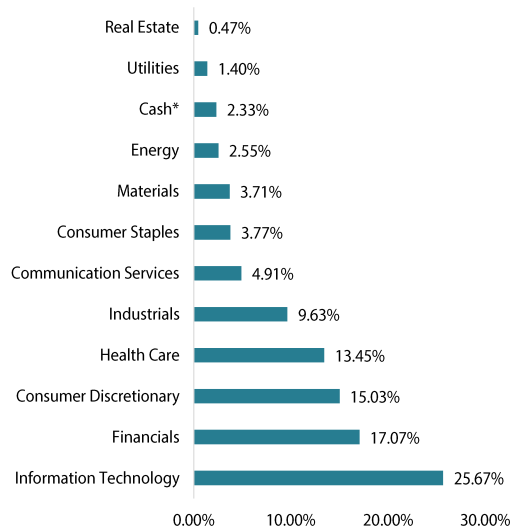
Overview

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 unhedged.

Objective

The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

Asset Allocation



Top 10 Holdings	% of Fund	Country
Microsoft Corp	5.79	United States
Amazon.com	5.53	United States
NVIDIA Corp	4.77	United States
Taiwan Semiconductor	3.27	Taiwan
UnitedHealth Group	2.37	United States
AppLovin Corp	2.21	United States
Meta Platforms	1.93	United States
Apple Inc.	1.86	United States
Visa Inc	1.79	United States
LVMH Moët Hennessy LV	1.69	France

Manager	Allocation	Active Return
Royal London (Core)	27.4%	-0.62%
JP Morgan (Core)	31.3%	-1.92%
NAME (Quality Growth)	19.3%	1.76%
WCM (Growth)	21.2%	9.53%

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

What helped		What hurt	
AppLovin Corp	o/w	Apple Inc	u/w
Amazon.com	o/w	Tesla Inc	u/w
Taiwan Semiconductor	o/w	JP Morgan Chase & Co.	u/w

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

Market Commentary

Global equity markets for unhedged NZ investors finished off 2024 with a very strong month and quarter to close out what was a second straight spectacular year. The MSCI All Countries World Index gained 3.09% (NZD, unhedged) in December, taking the return for the fourth quarter to 12.44%. The Kiwi fell sharply over the month and the quarter, versus the USD in particular.

In terms of investment style, “Growth” dominated versus “Value”, while regionally Developed markets outperformed Emerging markets by a significant margin. Taiwan, the USA and China were the leading major equity markets, while Brazil, South Korea and the Netherlands were the key underperformers.

In terms of sector performance, consumer discretionary, communication services, information technology and financials all outperformed the broader market over the quarter, whereas materials and healthcare were the main laggards.

The key individual drivers of the benchmark’s strong performance over the quarter were mega cap “growth” names like Apple, Nvidia, Amazon, Alphabet, Tesla and Broadcom. AppLovin Corp was the benchmark’s top performing constituent with the share price up nearly 150% over the quarter.

Fund Commentary

The fund returned 14.09% over the fourth quarter, outperforming the global equity index (MSCI ACWI) return of 12.44% by 1.65%.

WCM was a key driver of the outperformance, outperforming by a substantial 9.53% over the fourth quarter. NAME also performed well with 1.76% outperformance, while Royal London underperformed by 0.62% over the quarter, primarily due to significant underperformance in December (profit taking in some of its former winners). JP Morgan however struggled the most over the quarter, underperforming by 1.92%.

Looking at WCM’s three growth buckets, the current style allocation consists of 43% secular growth, 28% cyclical growth, and 25% defensive growth. Thematically, WCM is well-positioned for further growth in AI, anti-obesity initiatives, global defence, air travel, electrification, near-shoring, emerging market e-commerce penetration, and financial inclusion.

In terms of individual performance drivers over the quarter, the top contributors to the fund’s relative performance were overweight positions in technology-related names, for example AppLovin Corp, Amazon.com and Taiwan Semiconductor. AppLovin Corp was the highlight, with the strong return driven by its success in mobile game advertising and budding optimism surrounding its long-term opportunity in e-commerce.

The fund’s key detractors from performance were underweight positions in Apple and Tesla, which both outperformed, and nil exposure to JP Morgan, Alphabet Class C and Palantir Technologies (all of which also had strong positive returns over the quarter).

Regarding investment activity over the quarter, NAME added the leading Chinese travel platform Trip.com and the medical diagnostic business Siemens Healthineers, while WCM added Chinese food-delivery and consumer services giant Meituan, web hosting/domain registrar and software company GoDaddy, and global biopharma enterprise Vertex Pharmaceuticals.

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: \$553.3m
Retail:	1.42%, refer to PDS for more details.		Buy / Sell spread: 0.07%/0.07%
Hedging:	Any foreign currency exposure is unhedged.		

Compliance

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

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