

Nikko AM Global Equity Multi-Manager Unhedged Strategy

Monthly Update 28 February 2025

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

- After a volatile month, the MSCI ACWI (NZD unhedged) was up 0.3% for February, and is now up 25.1% on a rolling 1-yr basis.
- 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 these sectors being particularly hit.
- Despite escalated rhetoric on US tariffs, Asian markets easily outperformed US counterparts, as did European and UK markets.

Fund Highlights

- The fund recorded a return of -0.97% in February, underperforming the global equity index (MSCI ACWI).
- The underlying managers had mixed fortunes over the month, although none delivered particularly strong performance. WCM who have performed exceptionally well over the last 2 years, underperformed by over 2%.
- The top contributors to relative performance were underweight positions in Tesla and Alphabet (which both performed poorly) and overweight positions to Progressive Corp, SAAB and Yum! Brands, all of which outperformed.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-0.97%	4.00%	25.80%	20.20%	19.15%	15.50%
Benchmark²	0.28%	5.89%	25.10%	16.22%	15.10%	12.44%
Retail³	-2.05%	2.55%	23.05%	18.11%	17.57%	14.04%

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 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.

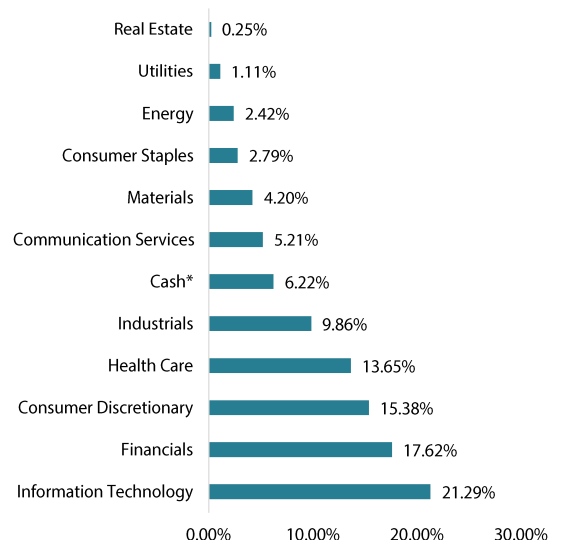
Objective

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

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



Asset Allocation



Top 10 Holdings	% of Fund	Country
Microsoft Corp	5.25	United States
Amazon.com	5.05	United States
NVIDIA Corp	3.97	United States
Taiwan Semiconductor Mfg.	2.81	Taiwan
Meta Platforms Inc	2.30	United States
Visa Inc	1.97	United States
UnitedHealth Group Inc	1.94	United States
Safran SA	1.69	France
Moet Hennessy Louis Vuitton	1.66	France
Linde plc	1.65	United States

Manager	Allocation	Active Return
Royal London (Core)	27.5%	-0.82%
JP Morgan (Core)	30.5%	-1.64%
NAME (Quality Growth)	18.3%	-0.07%
WCM (Growth)	19.6%	-2.42%

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

What helped		What hurt	
Tesla Inc.	UW	Amazon.com	OW
Progressive Corp	OW	AppLovin Corp	OW
Alphabet Inc. Class C	UW	UnitedHealth Group	OW

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

Market Commentary

The MSCI ACWI (NZD unhedged) gained 0.28% in February. It was a 'month of two halves', with markets continuing higher in the first two weeks, before investor sentiment turned, volatility increased, and global equity markets moved lower. US growth stocks were sold off, underperforming their value counterparts by a large margin. On a sector basis some of the leaders from most of the last few years underperformed. Information technology, consumer discretionary, and communications services were all weak, while defensive sectors such as real estate and consumer staples posted solid gains. Europe ex-UK and the United Kingdom, led by pharmaceuticals, banks, insurance and defence stocks, were among the best performing regions, while China was the highlight among emerging markets.

Fund Commentary

The fund recorded a return of -0.97% in February, underperforming the global equity index (MSCI ACWI) return of 0.28%.

The underlying managers had mixed fortunes over the month, although none delivered particularly strong performance. WCM struggled the most, with their top holding, AppLovin, falling 11%, and their exposures to Amazon.com, TSMC and Microsoft also weighing on returns. The key drivers of the fund's underperformance during the month were overweights in Amazon.com, AppLovin and UnitedHealth.

Online retailer **Amazon.com** reported robust Q4 2024 results, with a 10% increase in net sales and significant growth in operating income. Despite these positive figures, its shares dropped 10%, driven by broader market sentiment and concerns about the sustainability of AI spend and its subsequent returns. **AppLovin's** share price was negatively impacted by several short-seller reports, which have generated investor concerns. WCM believes a considerable amount of misinformation is being circulated, which contradicts with their findings and provides no clear evidence that undermines their investment thesis. Following its recent de-rating, WCM views AppLovin's valuation as extremely attractive, given the company's long-term growth potential.

The top contributors to relative performance were underweight positions in **Tesla** and **Alphabet** (which both performed poorly) and overweights to Progressive Corp, SAAB and Yum! Brands, all of which outperformed.

The US insurance company **Progressive Corp** (held by NAME and Royal London) reported impressive results, with net premiums written increasing by 18% year-over-year and net income surging by 59%. Despite the estimated US\$43 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. Swedish defence company **SAAB** (held by WCM) saw its shares surge 38%, in line with the strong performance of its European defence peers on the announcement of an increase in defence spending over a 3-year view, bringing spending close to 3% of GDP across the European Union.

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: \$583.7m
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 month.

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