

Nikko AM Global Equity Multi-Manager Unhedged Strategy

Monthly Update 31 May 2024

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

Market Overview

- After the April correction of -2.2%, global equity markets turned positive in May.
- The MSCI All Countries World Index returned 0.23% (NZD) for the month, with Developed Markets (0.68%) outpacing Emerging Markets (-3.11%).
- US large caps were among the top performers, helped by a lower US dollar, a lower oil price and declining bond yields.
- Earnings of information technology companies continue to surge, in contrast to global markets.

Fund Highlights

- The fund posted a positive return for the month, outperforming its benchmark.
- The top contributors to performance were NVIDIA Corp, Arista Networks and Sumitomo Mitsui Financial.
- The key detractors from performance were Apple Inc., PT Bank Mandiri and Samsonite International.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	0.47%	2.72%	28.11%	15.10%	17.78%	15.03%
Benchmark²	0.23%	2.92%	20.53%	11.23%	13.01%	11.96%
Retail³	-0.06%	2.40%	26.13%	13.29%	16.06%	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 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 Portfolio Manager, Alan Clarke.

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.

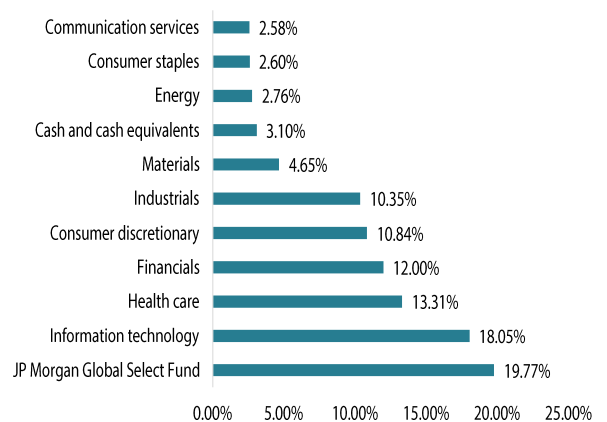
Objective

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	4.93%	United States
Amazon	3.95%	United States
Nvidia Corp	3.77%	United States
Unitedhealth	2.22%	United States
Progressive	1.72%	United States
Visa	1.50%	United States
Safran Sa	1.49%	France
Steel Dynamics	1.40%	United States
Constellation Software	1.28%	Canada
Delta Air Lines	1.28%	United States

Manager	Allocation	Active Return
Royal London	36.17%	1.08%
NAME & JP Morgan & Cash	41.21%	-0.26%
WCM	22.62%	-0.83%
Based on unhedged performance		

What helped		What hurt	
NVIDIA Corp	O/W	Apple Inc.	O/W
Arista Networks	O/W	PT Bank Mandiri	O/W
Sumitomo Mitsui Financial	O/W	Samsonite International	O/W
OW: overweight; UW: underweight; NH: no holding – month end position			

Market Commentary

After the April correction of -2.2%, global equity markets turned positive in May. The MSCI All Countries World Index returned 0.23% (NZD) for the month, with Developed Markets (0.68%) outpacing Emerging Markets (-3.11%). Japanese equities disappointed with a return of -2.38%. Overall, broad market trends in May were the inverse of April; US large caps were among the top performers, helped by a lower US dollar, a lower oil price and declining bond yields. Some of the leading names over the month of May were Apple (8.9%), NVIDIA (22.2%) and Netflix (12.2%). Amazon (-2.9%), Broadcom (-1.6%) and Tesla (-6.4%) however all disappointed.

Earnings of information technology companies continue to surge, in contrast to global markets. While US Big Tech include some of the world's most expensive stocks, they do have the earnings growth to back it. The semiconductor industry market cap weighting has reached an all-time high, no doubt boosted by its largest constituent, NVIDIA Corp, which now boasts a market capitalisation of USD 3 trillion.

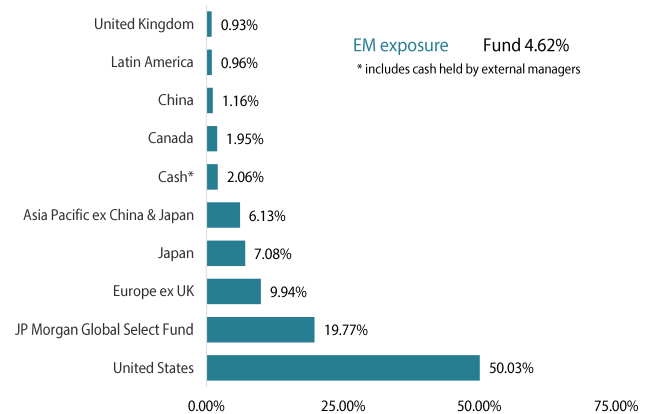
Fund Commentary

The fund returned 0.47% in May outperforming the benchmark return of 0.23%. Among the underlying managers, Royal London was the key driver of performance with a return of 1.31%.

NVIDIA's 22% surge in May made it the fund's top individual contributor to performance, while Arista Network's 20% gain also made a significant impact. NVIDIA's latest quarterly results were, once again, better than (lofty) investor expectations, driven by continued, very strong growth in their data centre compute business (which grew almost 30% quarter-on-quarter), as demand for AI infrastructure boomed. Management also talked confidently about the sustainability of this growth as they move towards full commercial launch of their new, more powerful Blackwell chips later this year. Sumitomo Mitsui Financial Group (SMFG) also found itself among the fund's top performers in May, despite the lacklustre performance by Japanese equities in general. SMFG announced positive quarterly results, beating analyst expectations and is tracking well against Royal London's investment thesis milestones.

The fund's underweight exposure to Apple, which outperformed in May, meant that it showed up as a detractor from performance this month. The company has seen a series of analyst downgrades and worries persist over its iPhone cycle and China business. Indonesia's largest bank in terms of assets, loans and deposits, PT Bank Mandiri, was one of the fund's key underperformers; although quarterly results showed continued strong loan growth, there was a smaller drop in profits than in recent quarters, as higher funding costs squeezed net interest margins. The luggage manufacturer Samsonite International also saw some profit taking after quarterly results marginally missed investor expectations (on revenues, more than profit margins). The company cited adverse foreign exchange and a slightly weaker than expected recovery in Chinese demand.

Geographical allocation



Key Fund Facts

Estimated annual fund charges (incl. GST)	
Wholesale:	Negotiated outside of the unit price.
Retail:	1.42%, refer to PDS for more details.
Hedging:	Any foreign currency exposure in unhedged.

Distributions:	Generally does not distribute
Exclusions:	Any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009. Investment prohibited in tobacco manufacturers

Strategy Launch:	October 2008
Strategy size:	\$400.1m
Buy / Sell spread:	0.07%/0.07%

Compliance

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

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