

Nikko AM Global Shares Unhedged Strategy

Monthly Update 31 January 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

- The return of President Trump to the White House, along with his 'America First' policy agenda, proved supportive for US equities, but the emergence of Chinese AI company DeepSeek called into question the US technology sector's ability to deliver against lofty expectations.
- NVIDIA Corporation's market value alone fell by nearly USD600 billion on January 27, the largest one-day wipeout in US stock market history.
- Chinese, Hong Kong, and Asian markets underperformed global indices on fears of increased tariffs from the US.

Fund Highlights

- The fund posted a positive return for the month, slightly ahead of its benchmark.
- Key contributors for the month were: Interactive Brokers Group, Inc., Meta Platforms Inc. and Cencora Inc.
- Key detractors for the month were: HDFC Bank Limited, Broadcom Inc., NVIDIA Corporation and Booking Holdings Inc.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	2.51%	11.82%	38.35%	14.47%	15.90%	
Benchmark²	2.42%	10.20%	31.44%	13.96%	14.08%	
Retail³	2.72%	9.60%	35.01%	13.90%	14.40%	
KiwiSaver³	2.71%	9.58%	35.03%	13.93%	14.47%	

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.

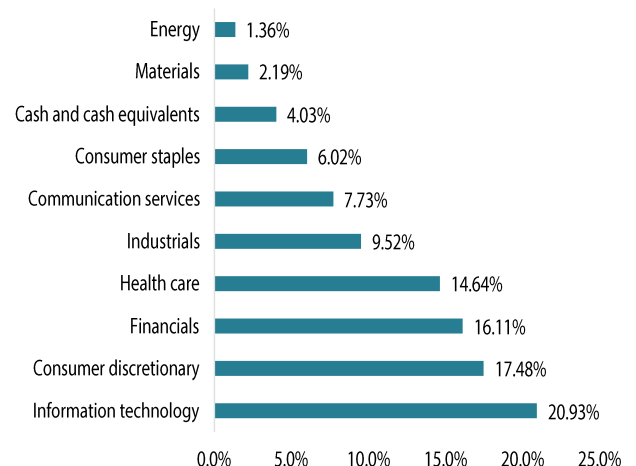
Objective

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}



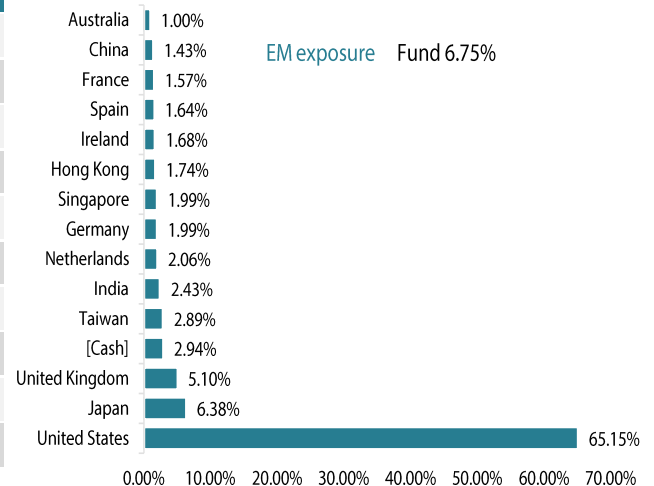
Sector Allocation (Includes cash in NZ PIE)



Top 10 Holdings

	% of Fund	Country
Amazon Com Inc	5.22	United States
Microsoft Corp	5.05	United States
Meta Platforms Inc	4.54	United States
Nvidia Corp	4.48	United States
Netflix Inc	3.18	United States
Taiwan Semicon Manufacturing Co Ltd	2.86	Taiwan
Broadcom Corp Com	2.76	United States
Compass Group	2.73	United Kingdom
Sony Corp	2.69	Japan
Intercontinental Exchange Inc	2.54	United States

Geographical Allocation (Includes cash in NZ PIE)



Market Commentary

2025 started upside down, with European and UK markets performing well and value stocks easily outperforming their growth counterparts. There are reasons behind this reversal, such as slightly improved European PMI figures or, in the UK, further devaluation of the pound, but in reality, the rotation is probably temporary. The return of President Trump to the White House, along with his 'America First' policy agenda, proved supportive for US equities, but the emergence of Chinese AI company DeepSeek called into question the US technology sector's ability to deliver against lofty expectations. NVIDIA Corporation's market value alone fell by nearly USD600 billion on January 27, the largest one-day wipeout in US stock market history. Although the damage was focused on AI infrastructure plays, capex guidance from the hyperscalers continued to be revised higher, suggesting the time of reckoning isn't just yet. Nevertheless, perhaps this is a warning shot of things to come? Despite more positive domestic economic data, Chinese, Hong Kong, and Asian markets underperformed global indices on fears of increased tariffs from the US. Japanese equities also underperformed despite the Bank of Japan's increased confidence in the sustainability of domestic wage growth and a subsequent 25 basis point rate hike.

Fund Commentary

Contributors: Interactive Brokers Group, Inc. saw a strong performance in January, driven by robust results and a significant increase in Daily Average Revenue Trades (DARTs), which were up 61% year-over-year. The company also reported a 30% increase in client accounts compared to the previous year. The firm's robust trading platform and competitive pricing in strong markets should help the company continue to deliver robust growth. **Meta Platforms Inc.** stock rose throughout January and continued to climb after it released impressive fourth-quarter results, which included a notable rise in daily active users and revenue growth that exceeded expectations. The company's strategic focus on AI innovations, particularly through its open-source Llama AI model, should continue to drive strong growth and market share gains in the advertising business. **Cencora Inc.** announced the closing of the RCA acquisition previously mentioned as part of their fourth quarter 2024 earnings release. As part of the announcement, Cencora increased its Fiscal Year 2025 guidance for adjusted EPS to USD15.15 - USD15.45 versus USD14.80 - USD15.10 previously. The company also highlighted strength in its U.S. Healthcare Solutions business. Given the management team's conservative nature when providing guidance, we believe there remains further upside that will be delivered throughout 2025.

Detractors: HDFC Bank Limited performance in January was underwhelming, with its stock declining by just under 6% over the month. The bank's third quarter results showed a marginal 2% year-over-year increase in net profit, which fell short of market expectations. Analysts pointed to slower credit growth and a slight decline in asset quality as contributing factors. **Broadcom Inc.** and **NVIDIA Corporation** shares were under pressure in January following the DeepSeek release. Until now, the fortunes of AI chip providers, hyperscalers, and all those involved in building out the AI infrastructure have been heavily correlated. DeepSeek has undoubtedly questioned that correlation, as users should benefit from greater efficiency and lower costs while falling returns await the AI capex providers. There is a lot of unknown about DeepSeek, and it is very possible, and in fact likely, that their suggested greater efficiency will lead to greater AI adoption and an acceleration in demand for greater computing power. **Booking Holdings Inc.**, the parent company of Booking.com, saw its stock decline by just under 5% in January. Despite a positive earnings outlook for the upcoming quarter, the company's stock underperformed due to broader market trends and investor concerns about the impact of economic uncertainties on travel demand. We remain confident that Booking.com will continue to gain market share and improve returns in the coming year.

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: \$649.8m
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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