

# NIKKO AM GLOBAL EQUITY HEDGED FUND

## Monthly Fact Sheet

### Why Nikko Asset Management NZ?

As a dedicated global investment manager Nikko AM NZ pairs local knowledge and experience with significant global resources. The Nikko group manages around US\$200 billion globally, including around NZ\$5 billion in New Zealand.

### Fund overview

An actively managed multi-manger approach, underpinned by a philosophy of bottom up stock picking. In order to achieve the high performance outcomes in a risk controlled manner, the stock picking is outsourced to a range of exceptional international investment managers.

### Benchmark

MSCI All Countries World Index (net dividends reinvested), gross hedged 139% to NZD).

### Performance objective

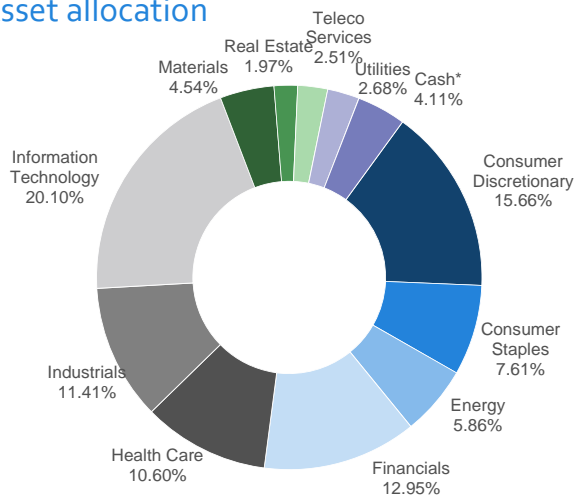
The aim is to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

### Risk indicator



Based on standard deviation of returns before tax and after fees over a rolling 5 years to the last calendar quarter

### Asset allocation



\*includes the sum of the underlying managers' cash allocations

### Investment Manager

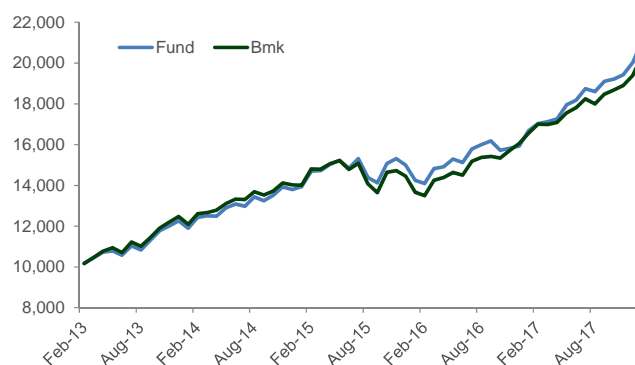
The multi-manager global equity strategy is managed by a specialist team based in Sydney and Singapore. The Nikko AM NZ Investment Committee together with a specialist team in Sydney and Singapore are responsible for the ongoing selection, monitoring and review of all underlying investment managers.

### Performance returns

	Gross <sup>1</sup>	Benchmark	Net Returns <sup>2</sup>
1 month	5.61%	5.08%	5.03%
3 months	10.05%	9.15%	9.53%
1 year	26.70%	23.00%	24.59%
2 years (pa)	21.81%	22.11%	22.44%
3 years (pa)	14.90%	13.32%	13.45%
5 years (pa)	16.15%	15.30%	13.84%

- Gross returns are before tax and before the deduction of fees.
- Net returns are before tax but after the deduction of fees and expenses.

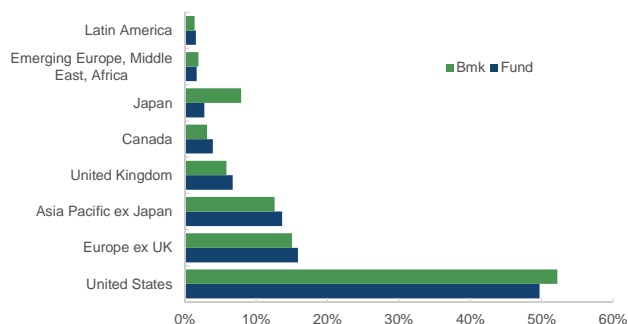
### Five year cumulative performance (gross)<sup>1</sup>



## Manager allocations

Manager	Range	Actual
Davis Advisors	10 – 30%	27.1%
Epoch	10 – 30%	19.2%
Principal Global Investors	10 – 30%	26.1%
WCM	10 – 30%	26.2%
Nikko AM Derivatives	0 – 20%	0.0%
Nikko AM Cash	0 – 10%	1.4%

## Geographical allocation



Emerging markets: 13.7% of the fund

## Top 10 holdings

Company	Fund	MSCI	Country
Amazon.Com	2.88%	1.04%	US
Alphabet, Class C	2.26%	0.71%	US
Facebook	1.76%	0.91%	US
Wells Fargo	1.62%	0.62%	US
Naspers	1.55%	0.27%	South Africa
Alibaba Group Holding	1.47%	0.43%	China
Capital One Financial	1.41%	0.10%	US
Taiwan Semiconductor	1.27%	0.00%	Taiwan
Safran	1.16%	0.08%	France
New Oriental Education	1.12%	0.03%	China

## Key fund facts

<b>Strategy launch date</b> October 2008	<b>Benchmark</b> MSCI All Countries World Index (net dividends reinvested), gross hedged 139% to NZD. Prior to 1 July 2016 MSCI All Countries World Index (net dividends reinvested) 100% hedged to NZD. Prior to 1 June 2014 MSCI World Index (net dividends reinvested) 100% hedged to NZD).
<b>Strategy FUM</b> \$379.74m	<b>Hedging</b> Gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.
<b>Fund structure</b> PIE fund – wholesale and retail	
<b>Fees in retail fund:</b> Management fee 1.25%p.a Expenses (maximum) 0.25%p.a Expenses (current) 0.15%p.a	
<b>Buy/sell spread</b> 0.07% / 0.07%	
<b>Distributions</b> Generally does not distribute	

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## Market commentary

January was another buoyant month for Global Equities with the MSCI All Countries World Index returning 1.51% NZD Unhedged and 5.08% Hedged to NZD. The Technology sector was the top performing sector (3.5%), continuing its run from 2017 where it was the strongest performer over the year. Consumer Discretionary also performed well, returning 3.4%. Weaker sectors of the market include Consumer Staples which was relatively lackluster returning -2.2%, whilst Energy pulled back from a strong December returning 0%.

In recent years the confidence of accelerating economic growth has benefitted equities; however, returns have been dominated by higher valuations rather than profit growth. Opinions are shifting on where and when cyclical growth is occurring, with surprises in Europe and China, while there are mixed signals coming from the US. The managers are focused on picking a selection of companies across the globe that meet their Quality criteria (businesses that are expected to grow, will have superior and ideally rising returns, can do so sustainably, are governed by management that can be trusted and whose valuations don't reflect these prospects).

We anticipate that 2018 will see more geopolitical gyrations, Trump headlines and divergent trends in profitability as growth remains such that there is no tide to lift all boats. Careful stock picking will be key for maximising returns in global equity markets.

## Fund commentary\*

The Fund outperformed the benchmark performance on a gross basis in January. The Value/Shareholder Yield manager, Epoch, continued to struggle in the strong Growth environment, with a relative return of -3.15% against the benchmark. Meanwhile the three Growth-oriented managers all added significant value and on average outperformed the benchmark by about 0.80% during the month.

Epoch's major detractors from performance were the large overweight positions to the high yielding Utilities and Telecoms sectors, which performed poorly over the month, as well as stock selection within the Consumer Staples sector. Individual stocks which were hit the hardest, include Duke Energy (-10%), Welltower (-10%), Imperial Brands (-7.5%) and BCE (-6.5%)

At the aggregate Fund level, the most significant detractors from performance were stock selection in the Energy and Industrials sectors, as well as the underweight exposure to Financials (which outperformed). Value was added by stock selection within Financials, Healthcare and Technology sectors. The top three individual stocks which hurt performance the most, were Adient plc (-21%), Encana (-11%) and New Oriental Education (-6%). Contributing the most value, were Amazon.com (+19%), Mercadolibre (+18%) and Alibaba Group (+14%).

\*all return percentages expressed as unhedged in NZD unless otherwise stated

## Compliance

The fund complied with its investment mandate, SIPO and Trust Deed during the month.

### Important Information

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