

Nikko AM NZ Investment Scheme

# NIKKO AM AUSTRALASIAN SMALL COMPANIES FUND

## Fund Update



## What is the purpose of this update?

This document tells you how the Nikko AM Australasian Small Companies Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Nikko AM NZ prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

## Description of this fund

The Fund aims to outperform the composite benchmark by 3.00% p.a. over a rolling three year period before fees, expenses and taxes. The composite benchmark is 70% ASX Accumulation Small Cap Ordinaries Index, expressed in NZD (unhedged), 25% S&P/NZX Small Cap Index Gross with Imputation, 5% S&P/NZX Call Rate Deposit Index. The Fund provides investors with an exposure to New Zealand and Australian 'emerging leaders' securities from an actively managed investment portfolio with potential for growth of income and capital.

|                           |                |
|---------------------------|----------------|
| Total value of the fund   | \$1,242,670    |
| The date the fund started | 11 August 2009 |

## What are the risks of investing?

### Risk indicator for Nikko AM Australasian Small Companies Fund:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at [www.sorted.org.nz/tools/investor-kickstarter](http://www.sorted.org.nz/tools/investor-kickstarter).

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five year to September 2016. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund.

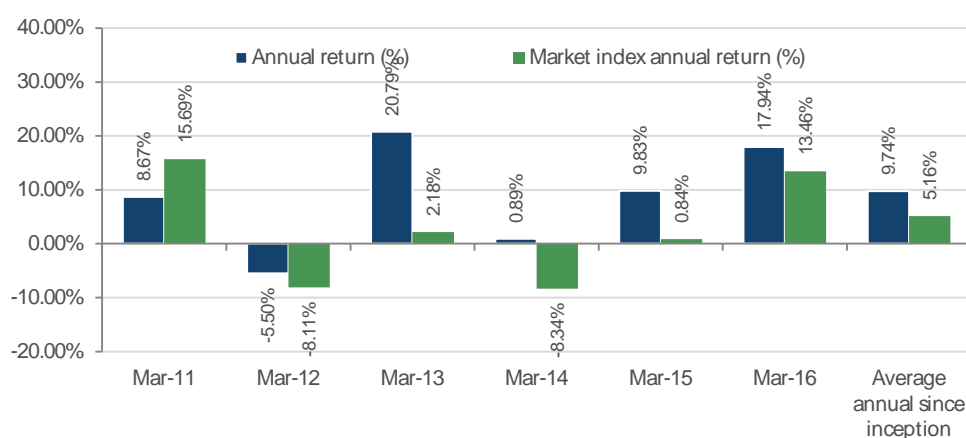
## How has the fund performed?

|  | Average over past 5 years | Past year |
|--|---------------------------|-----------|
| Annual return<br><i>(after deductions for charges and tax)</i>                   | 13.25%                    | 14.93%    |
| Annual return<br><i>(after deductions for charges but before tax)</i>            | 13.79%                    | 15.44%    |
| Market index annual return<br><i>(reflects no deduction for charges and tax)</i> | 6.14%                     | 24.85%    |

The market index return is the strategic asset allocation weighted benchmark index return, where the benchmark indices are defined in the SIPO.

Additional information about the market index is available on the offer register.

### Annual return graph<sup>1</sup>



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started up to September 2016.

**Important:** This does not tell you how the fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

Prior to 30 September 2010 the returns are after tax at 30% and from 1 October 2010 onwards the returns are after tax at 28%.

## What fees are investors charged?

Investors in the Nikko AM Australasian Small Companies Fund are charged fund charges. In the year to 31 March 2016, these were:

|  | % of net asset value |
|--|----------------------|
| <b>Total fund charges</b>                          | <b>1.28%</b>         |
| Which are made up of:                              |                      |
| <b>Total management and administration charges</b> | <b>1.28%</b>         |
| Including:   |                      |
| Manager’s basic fee                                | 1.02%                |
| Other management and administration charges        | 0.26%                |
| <b>Total performance-based fees</b>                | <b>0.00%</b>         |

See the Product Disclosure Statement for more information about the basis on which performance fees are charged. Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the Nikko AM Australasian Small Companies Fund PDS for more information about those fees.

## Example of how this applies to an investor

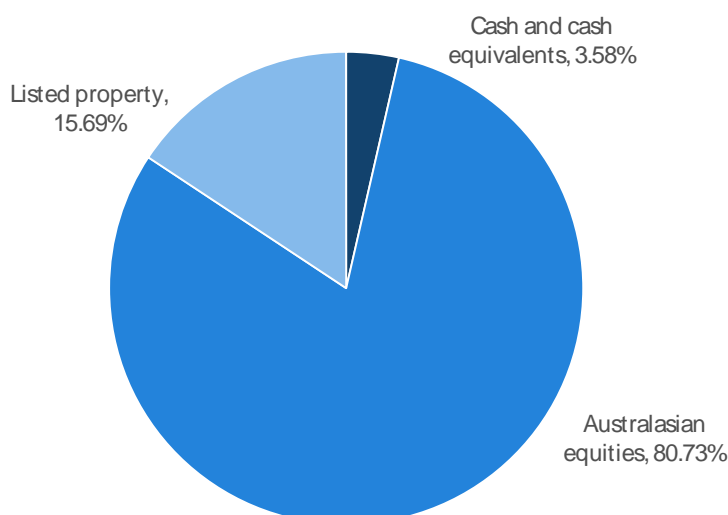
Small differences in fees and charges can have a big impact on your investment over the long term.

Hayley had \$10,000 in the fund at the start of the year<sup>2</sup> and did not make any further contributions. At the end of the year, Hayley received a return after fund charges were deducted of \$1,860 (that is 18.60% of her initial \$10,000). Hayley paid no other charges. This gives Hayley a total return after tax of \$1,794 for the year.

## What does the fund invest in?

This shows the types of assets that the fund invests in.

### Actual investment mix



### Target investment mix

|                                    |     |
|------------------------------------|-----|
| Australasian equities <sup>3</sup> | 95% |
| Cash and cash equivalents          | 5%  |

All investments are in New Zealand dollars

## Top 10 investments

| Name  | Percentage of fund's net asset value | Type                  | Country     | Credit rating (if debt securities) |
|---|--------------------------------------|-----------------------|-------------|------------------------------------|
| 1 Impedimed Limited                                       | 4.30%                                | Australasian equities | Australia   | n/a                                |
| 2 Aconex Limited  | 3.46%                                | Australasian equities | Australia   | n/a                                |
| 3 The A2 Milk Company Limited                             | 3.45%                                | Australasian equities | New Zealand | n/a                                |
| 4 Ingenia Communities Group                               | 3.39%                                | Listed property       | Australia   | n/a                                |
| 5 Freelancer Ltd  | 3.15%                                | Australasian equities | Australia   | n/a                                |
| 6 Propertylink Group Pty Ltd                              | 3.02%                                | Listed property       | Australia   | n/a                                |
| 7 IPH Limited Ordinary                                    | 2.97%                                | Australasian equities | Australia   | n/a                                |
| 8 Aveo Group Ordinary Units Fully Paid Stapled Securities | 2.88%                                | Listed property       | Australia   | n/a                                |
| 9 Peet Ltd  | 2.86%                                | Listed property       | Australia   | n/a                                |
| 10 Syrah Resources Limited                                | 2.74%                                | Australasian equities | Australia   | n/a                                |

The total value of the top 10 investments make up 32.22% of the net asset value of the fund.

## Key personnel

| Name                | Current position         | Time in current position | Previous or other current position                                   | Time in previous or other current position |
|---------------------|--------------------------|--------------------------|--|--|
| 1 Stuart Williams   | Head of Equities         | 2 years and 2 months     | Portfolio Manager – OnePath (NZ) Limited                             | 1 year and 7 months                        |
| 2 James Lindsay     | Senior Portfolio Manager | 4 years and 6 months     | Domestic Equity Manager – Nikko Asset Management New Zealand Limited | 11 years and 0 months                      |
| 3 Michael Sherrock  | Portfolio Manager        | 1 year and 11 months     | Investment Analyst – Nikko Asset Management New Zealand Limited      | 8 years and 4 months                       |
| 4 Michael De Cesare | Research Analyst         | 4 years and 3 months     | Institutional Graduate Program – ANZ Institutional Bank              | 1 year and 5 months                        |
| 5 George Carter     | Managing Director        | 0 years and 11 months    | Director, Head of Distribution, AMP Capital Investors NZ Limited     | 6 years and 4 months                       |

## Further information

You can also obtain this information, the PDS for the Nikko AM Australasian Small Companies Fund and some additional information from the offer register at <https://www.companiesoffice.govt.nz/disclose>.

## Notes

<sup>1</sup> The bar chart shows fund returns after the deduction of fees and taxes, however, the market index returns are shown before any fees or taxes are deducted.

<sup>2</sup> For the purpose of this example, the start of the year is 1 April 2015.

<sup>3</sup> All investments described in this fund update are in New Zealand dollars.