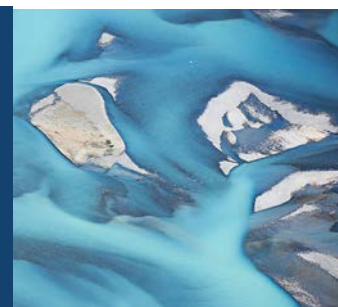


# NIKKO AM AUSTRALASIAN SMALL COMPANIES FUND

## Monthly Fact Sheet

## 28 February 2017



### Investment objective

The objective of the Fund is to construct a portfolio of permitted investments that outperform the Fund's benchmark return by 3.0% per annum over a rolling three year period before fees, expenses and taxes.

### Benchmark

#### Composite of:

S&P/ASX Small Ordinaries Accumulation Index expressed in NZD (unhedged)	70.0%
S&P/NZX SmallCap Index gross with Imputation	25.0%
S&P/NZX Call Rate Deposit Index	5.0%

### Fund description

The Fund aims to provide 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.

The Fund gains its investment exposure by investing into the Nikko AM Wholesale Australasian Small Companies Fund which is managed by the Nikko AM NZ Equity team.

### Distributions

Semi-annual. Last business days of March and September.

### Currency management

Foreign currency exposures created as a consequence of capital markets investment may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%. Currency hedging contracts are held in the Nikko AM Wholesale Australasian Small Companies Fund.

### Management fees and other charges

A management fee of 1.00% per annum calculated as a percentage of the net asset value of the Fund will be deducted from the Fund. This fee is calculated daily and is payable to Nikko AM.

Nikko AM may also recover expenses (including the Trustee fee) from the Fund up to a maximum of 0.25% per annum of the Fund's net asset value. As at the time of publication these expenses are estimated to be 0.25% per annum.

### Performance fee

We charge a performance fee of 10% of gains above the hurdle rate. The "hurdle rate" is the minimum return the Fund must achieve before being able to charge a performance fee. The hurdle for the Fund is 3% above the Australasian Small Companies Composite Index over a 12 month financial period after deducting our management fee and expenses. Performance-based fees are payable only if the Fund's performance exceeds the high water mark. The high water mark for the Fund is equal to the performance level of the Fund at the end of the last financial period when a performance fee was charged. This means if the Fund loses value over one or more financial periods, Nikko AM NZ must achieve investment returns above the high water mark for the Fund before receiving another performance-based fee. The high water mark cannot be reset unless the Fund's performance exceeds that mark. The performance fee for each financial period is accrued daily in the unit price and paid at the end of the financial period. A financial period for the Fund is 12 months ending 31 March in each year. The performance fee does not have a maximum limit.

### Buy/sell spread

0.35% / 0.35%

### Strategic asset allocation

Asset class	Range
Australasian equities, cash and cash equivalents, and listed property via the Nikko AM Wholesale Australasian Small Companies Fund	95% – 100%
Cash on call for investor transactions	0% – 5%

### Investment ranges and benchmark weights

Asset class	Target	Range
Australian Smaller Equities	70%	50% ⇄ 90%
New Zealand Smaller Equities	25%	10% ⇄ 40%
Cash and cash equivalents	5%	0% ⇄ 10%

## Restrictions

Nikko AM Wholesale Australasian Small Companies Fund:

- Maximum 8% exposure to any one security.
- Maximum aggregate exposure of 40% to the top five investments.
- Securities included in the S&P/ASX 100 Index and/or the NZX 10 Index are not permitted.

Full details of the permitted investments and restrictions are outlined in the SIPO.

## Performance

(NZD returns; before tax, after fees and expenses)

1 month	3 months	6 months	1 year
1.82%	1.68%	-7.49%	1.98%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
4.76%	6.46%	8.83%	8.56%

\* August 2009

## Contributors to performance – month

What helped	What hurt
EROAD	CSG Ltd
Estia Health	Isentia Group
Property Link Group	Freelancer Ltd

## Asset allocation (% of fund)

New Zealand equities	27.3%
Australian equities	69.6%
Cash	3.1%

## Top 5 holdings

Security	Sector
Cover More Group	Financials
Restaurant Brands	Consumer discretionary
Pacific Edge	Health care
Tilt Renewables	Utilities
Property Link	Real estate
<b>Number of holdings</b>	<b>45</b>

## Commentary

Equity markets continued their positive start for the year with the MSCI World index returning 2.9%. President Trump was again in the forefront as markets anticipated the speech to Congress and definitive policy announcements as opposed to tweets. The New Zealand equity market, as represented by the S&P/NZX 50 index rose strongly up 1.7% with NZ Small Companies rising 2.4%. On average this lagged the Australian market which was up 2.2% (S&P/ASX 200 index) and the Small Ordinaries +1.3% while further afield the UK market was up 2.3% and the US (S&P500) was up 3.7%.

The Fund performed reasonably during February returning +1.82% but lagged relevant indices when brought back into NZ dollars. Best performers included **EROAD** (ERD) which rose 19.4% over the month as it released its ELD product in the US market. Other performers to add value to the Fund included **Estia Health** (EHE) +19.1%, **Touchcorp** (TCH) +30.3% and boat builder **Austal** (ASB)+22%.

**Metlifecare** (MET) delivered strong asset revaluations and reported profits up 31% for the half year. The stock increased ~11% on the announcement and contributed positively to performance. The stock continued to rally in line with the net asset backing of the investments.

Two stocks were sold including intellectual property services firm IPH and automotive dealer Automotive Holdings Group Limited (AHG). One new stock was added being **Beacon Lighting Group** (BLX).

(**bold** denotes held in portfolio)

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