

# Nikko AM Wholesale Global Equity Hedged Fund

## Fund manager

Nikko Asset Management New Zealand Limited (Nikko AM NZ). In New Zealand we actively manage around NZ\$5 billion of investments for a diverse group of clients. We offer investment management services in domestic sectors (equities, fixed interest and cash) through our Auckland-based investment team and employ offshore managers to manage global sectors (global equities, global bonds and alternative investments).

## Investment manager

We utilise a multi-manager global equity strategy managed by a specialist team based in Sydney and Singapore. Investment personnel from Nikko AM Australia, Singapore and New Zealand are responsible for the ongoing selection, monitoring and review of all underlying investment managers.

## Fund launch

October 2008

## Investment objective

To construct a portfolio of authorised investments that outperform the Fund's benchmark return by 3.0% per annum over a rolling three year period before fees.

## Benchmark

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).

## Distributions

Does not distribute, but may do so at Nikko AM NZ's discretion.

## Hedging policy

Foreign currency exposures created as a consequence of capital markets investment are gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

## Trustee

Public Trust

## Custodian

Public Trust as legal custodian, BNP Paribas Fund Services Australasia Pty Limited delegated as functional custodian.

## Structure and taxation

The Fund vehicle is a Portfolio Investment Entity (PIE) which is priced daily. Investors elect their own Portfolio Investor Rate. Each investor's return is subject to the foreign investment taxation regime, under the Fair Dividend Rate approach. Comparative Value method applies for hedging contracts. Information is provided to the IR and investors on an annual basis. The securities selected by the global managers are directly held by this Fund. This is advantageous to tax-paying unit holders as it enables them to utilise foreign withholding taxes.

## Investment strategy

The investment strategy is underpinned by a philosophy of bottom-up stock picking. In order to achieve the high performance outcomes in a risk controlled manner, the strategy is to outsource the stock picking to a range of exceptional international investment managers. Although the managers follow their own particular investment strategies, they are blended in such a way as to target superior active and risk-adjusted returns.

## Fund Structure

The underlying managers have long-term track records and an expectation to consistently perform throughout the investment cycle and hence aim to deliver benchmark outperformance. The specialist manager line-up and strategic ranges for each are represented in the table overleaf.

## Management fees

Investment management fees will be negotiated separately with each investor and invoiced outside the Fund. All Fund statutory and operating costs will be met directly by the Manager.

## Performance fee

Performance fees will be negotiated separately with each investor and invoiced outside the Fund.

## Buy/sell spread

0.07% / 0.07%

**Disclaimer** | This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme and the Nikko AM NZ Wholesale Investment Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement or Fund Fact Sheet. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party.

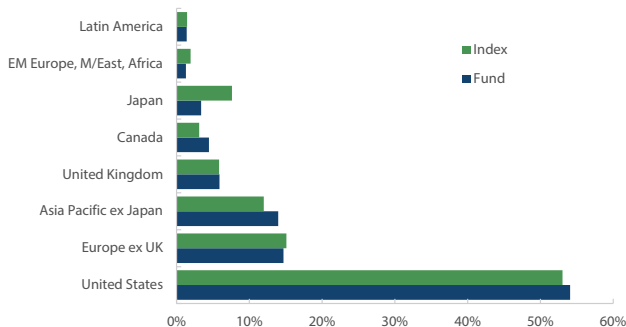
## Performance (NZD gross returns)

	Fund	Benchmark	Excess
1 month	0.77%	0.60%	0.17%
3 months	3.44%	3.11%	0.32%
6 months	9.77%	11.35%	-1.58%
1 year	15.69%	18.76%	-3.07%
2 years pa	7.14%	6.52%	0.63%
3 years pa	11.38%	10.15%	1.23%
5 years pa	14.23%	13.98%	0.25%

## Fund size

NZ\$ 197 million

## Geographical allocation



Emerging markets: 13.4% of Fund

## Sector allocation (% of fund)

Sector	Fund (%)	Benchmark (%)
Consumer Discretionary	17.1	12.4
Consumer Staples	9.2	9.5
Energy	6.9	6.4
Financials	11.5	18.3
Health Care	11.1	11.1
Industrials	9.8	10.8
Information Technology	18.9	16.7
Materials	5.5	5.3
Real Estate	2.2	3.1
Telecommunication Services	3.6	3.3
Utilities	3.3	3.1
Cash*	0.9	0.0

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

## Top 10 holdings (% of fund)

Company	Fund (%)	MSCI (%)	Country
Amazon.com	3.0	0.9	US
Alphabet Class C	2.1	0.7	US
Facebook	1.9	0.9	US
Wells Fargo & Co	1.6	0.6	US
Encana Corp	1.3	0.0	Canada
Apple	1.2	1.9	US
Taiwan Semiconductor	1.2	0.4	Taiwan
Naspers	1.1	0.2	Sth Africa
Berkshire Hathaway Class B	1.1	0.5	US
New Oriental Education	1.1	0.0	China

## Manager allocations

Manager	Range	Actual*
WCM Investment Mgmt	10-30%	25.48%
Principal Global Investors	10-30%	25.37%
Epoch Investments Partners Inc	10-30%	21.55%
Davis Selected Advisors LP	10-30%	25.57%
Nikko AM Limited (Derivatives)	0-10%	3.43%
Nikko AM Limited (Cash)	0-10%	-1.40%

## Fund commentary\*

The Fund outperformed the benchmark by 17 bps in April as both Growth and Quality continued to outperform Value by a significant margin. As expected, WCM (134 bps), PGI (93 bps) and Davis (84 bps) outperformed, while the Value manager Epoch (-120 bps) underperformed.

WCM had a very strong month, with value added mostly by holdings from the Technology, Consumer and Healthcare sectors. Top of the list was Edwards Lifesciences (up 19%), Cerner (up 12%) and Mercadolibre (up 11%). Although there was no stock specific news, Tencent Holdings (up 11.5%) benefitted from the continued outperformance of growth stocks in April. The Technology sector has been a particularly strong performer year-to-date, with a return of 18.0% for the first four months of the year, compared to the benchmark return of 10.3%.

PGI's Global Growth strategy has significant overweights to Apple, Amazon, Facebook and Google. With the exception of Apple, the other three performed well in April and made a positive impact on performance. Value was also added by French luxury goods names, Louis Vuitton Moet Hennessy (up 16%) and Christian Dior (up 21%).

The Davis portfolio also gained from stock selection in the Growth sectors. Alphabet (up 11%) added the most value, followed by emerging market consumer holdings, Naspers (up 12%), JD.com (up 15%) and TAL Education (up 14%).

Epoch's underperformance was due to a large overweight to the Telecoms sector, which underperformed, as well as stock selection in the Healthcare and Information Technology sectors. In addition to Telecoms being one of the worst performing sectors in April, three of Epoch's holdings in the sector had poor returns. Telstra (down 9.6%) was the main detractor from performance, followed by Verizon Communications (down 3%) and AT&T (down 1.7%). Qualcomm (down 4.6%) was the worst performing Technology holding, while the return from the Healthcare sector was negatively impacted by pharma companies, Astrazeneca (down 1.1%) and GlaxoSmithKline plc (down 1.6%).

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

## Compliance

The Fund complied with its investment mandate during the month.