Nikko AM Wholesale Global Equity Unhedged 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), expressed in NZD (unhedged). Prior to 1 June 2014 MSCI World Index (net dividends reinvested). NZD unhedged

Distributions

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

Currency management

All currency exposures created as a consequence of global equity markets investment remain unhedged to NZD

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 Prescribed Investor Rate. Each investor's return is subject to the foreign investment taxation regime, under the Fair Dividend Rate approach. 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 investors 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%

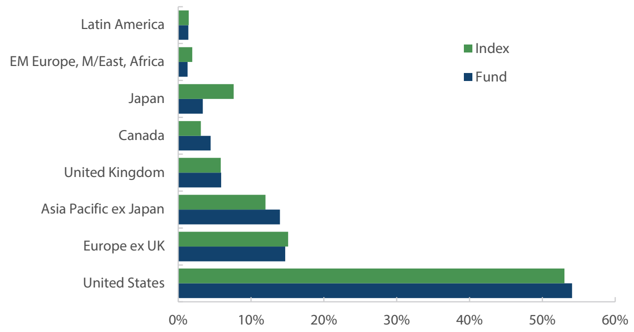
Performance (NZD gross returns)

	Fund	Benchmark	Excess
1 month	3.83%	3.41%	0.42%
3 months	13.15%	12.87%	0.28%
6 months	15.19%	16.46%	-1.27%
1 year	15.08%	17.26%	-2.18%
2 years pa	10.80%	9.75%	1.05%
3 years pa	14.95%	13.40%	1.55%
5 years pa	13.99%	13.58%	0.42%

Fund size

NZ$422 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 42 bps in April, delivering a return of 3.83% (NZD, unhedged) 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%).

Compliance

The Fund complied with its investment mandate during the month.

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