

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 over 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

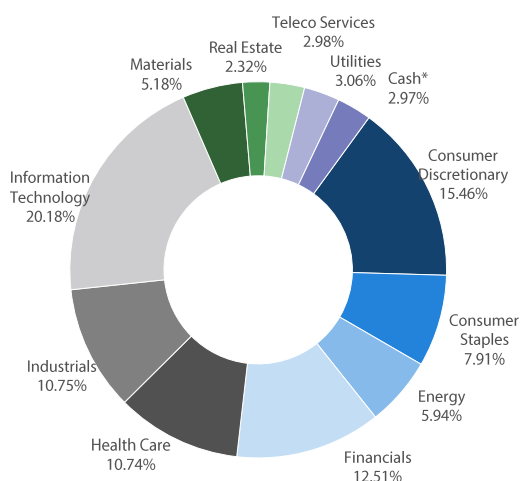
The aim is to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

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.

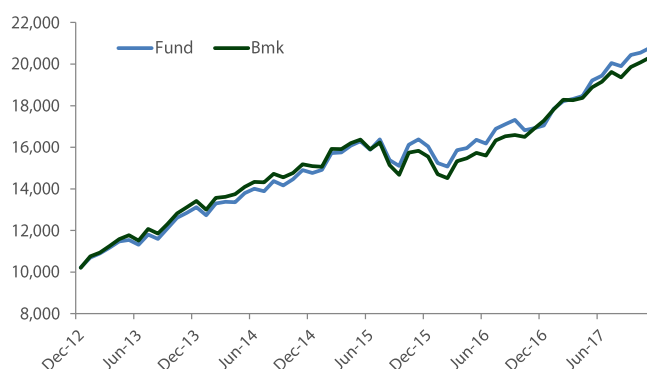
Performance returns

	Gross ¹	Benchmark	Net Returns ²
1 month	1.14%	1.23%	1.37%
3 months	4.41%	5.01%	4.70%
1 year	22.84%	20.27%	21.02%
2 years (pa)	12.66%	13.32%	12.21%
3 years (pa)	11.74%	10.21%	10.56%
5 years (pa)	15.76%	15.24%	

1. Gross returns are before tax and before the deduction of fees.

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

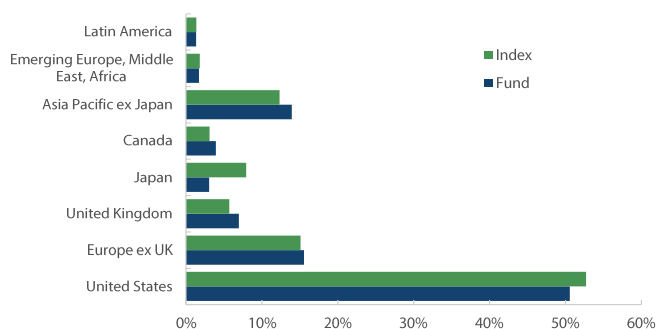
Five year cumulative performance (gross)¹



Manager allocations

Manager	Range	Actual
Davis Advisors	10 – 30%	26.7%
Epoch	10 – 30%	20.5%
Principal Global Investors	10 – 30%	26.2%
WCM	10 – 30%	26.4%
Nikko AM Derivatives	0 – 20%	0.0%
Nikko AM Cash	0 – 10%	0.2%

Geographical allocation



Emerging markets: 13.7% of the fund

Top 10 holdings

Company	Fund	MSCI	Country
Amazon.Com	2.85%	1.06%	US
Alphabet, Class C	2.25%	0.71%	US
Facebook	1.84%	0.93%	US
Wells Fargo	1.61%	0.60%	US
Naspers	1.58%	0.26%	South Africa
Alibaba Group Holding	1.52%	0.45%	China
Capital One Financial	1.48%	0.10%	US
Taiwan Semiconductor	1.22%	0.00%	Taiwan
Safran	1.17%	0.07%	France
New Oriental Educatin	1.16%	0.03%	China

Key fund facts

Strategy launch date October 2008	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).
Strategy FUM \$173.6m	Hedging Gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.
Fund structure PIE fund – wholesale and retail	
Fees in retail fund: Management fee 1.25%p.a Expenses (maximum) 0.25%p.a Expenses (current) 0.15%p.a	
Buy/sell spread 0.07% / 0.07%	
Distributions Generally does not distribute	

Market commentary

November for the most part was another buoyant month for equities with the MSCI All Countries World Index adding 1.76% (NZD, unhedged). While Information Technology led the market throughout most of the month, there was a sudden change in direction over the last few days of November. Uncertainties over US President Trump’s tax cuts resulted in profit taking in the Technology sector. For the month, the two Consumer sectors came out on top with returns of more than 3%.

Like Information Technology, Emerging Markets were also comfortably ahead of their Developed Market peers for most of November, until they succumbed to profit taking during the last week of the month. The MSCI EM index return for the month was 0.2%, while Hong Kong (up 3.3%), the US (up 3.1%) and Japan (up 2.5%) were among the best performing Developed Markets. European equities were lacklustre due to persistent political uncertainty in the United Kingdom (UK) and Germany. Brexit concerns continued to plague the UK, while German headlines were dominated by a collapse in negotiations about forming a three-way coalition.

In other news, President Trump nominated Jerome Powell to serve as the next Chairman of the Federal Reserve, replacing Janet Yellen, who is reported to have submitted her resignation to President Trump. Mr Powell, a 64-year-old former investment banker who has served on the Federal Reserve Board of Governors since 2012, will be sworn into office in February 2018.

Fund commentary*

The Fund trailed the benchmark performance by 0.9 basis points (bps) in November, with a return of 1.14% (NZD, hedged). Of the underlying managers, WCM (+22 bps) and Epoch (+18 bps) outperformed, while PGI (-37 bps) and Davis (-110 bps) gave back some of their gains from the previous month. There was a mixed result from stock selection in the Consumer Discretionary sector, as Naspers, Amazon and Tractor Supply all outperformed, but Ferrari, Adient plc and Compass Group performed poorly. In the Information Technology sector, Taiwan Semiconductor and Alibaba were the main detractors from performance. WCM’s outperformance was driven mostly by good stock selection in Information Technology with a strong contribution to performance by Costco Wholesale (up 14.6%) and Tractor Supply (up 13.5%). Epoch’s Shareholder Yield strategy outperformed due to good stock selection in Information Technology, as well as positive asset allocation effects. Technology experienced weakness in November, and Epoch’s underweight stance lifted the manager’s relative performance. PGI’s disappointing performance in November was largely due to stock selection in the Consumer Discretionary and Industrials sectors.

Of the four managers, Davis had the worst relative return in November. Stock selection in the Information Technology and Materials sectors, as well as zero exposure to Consumer Staples (the best performing sector during the month) detracted the most from performance.

*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

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Important Information

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