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 around 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

Investment Manager

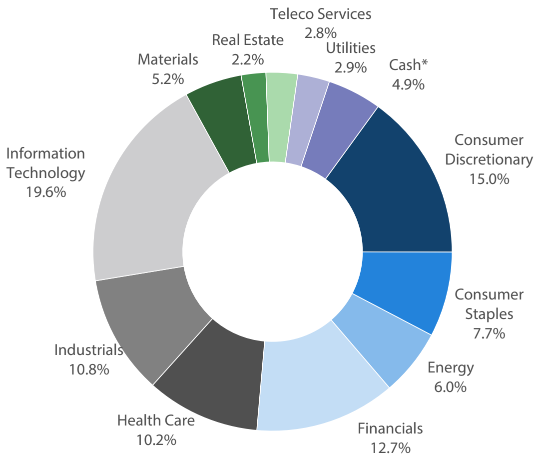
The multi-manager global equity strategy is managed by a specialist team based in Sydney and Singapore.
The Nikko AM NZ Investment Committee together with a specialist team in Sydney and Singapore are responsible for the ongoing selection, monitoring and review of all underlying investment managers.

Performance returns

	Gross[1]	Benchmark	Net Returns[2]
1 month	3.03%	2.61%	2.87%
3 months	4.76%	5.01%	5.05%
1 year	25.62%	20.76%	23.90%
2 years (pa)	15.53%	15.82%	14.76%
3 years (pa)	13.20%	11.40%	12.11%
5 years (pa)	15.95%	15.37%	13.44%

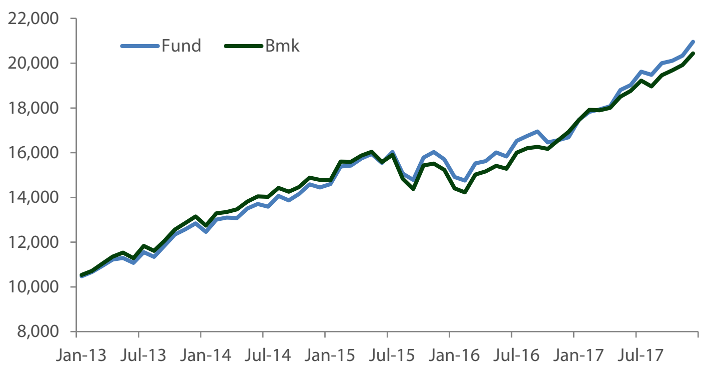
1. Gross returns are before tax and before the deduction of fees.
2. Net returns are before tax but after the deduction of fees and expenses.

Asset allocation



*includes the sum of the underlying managers' cash allocations

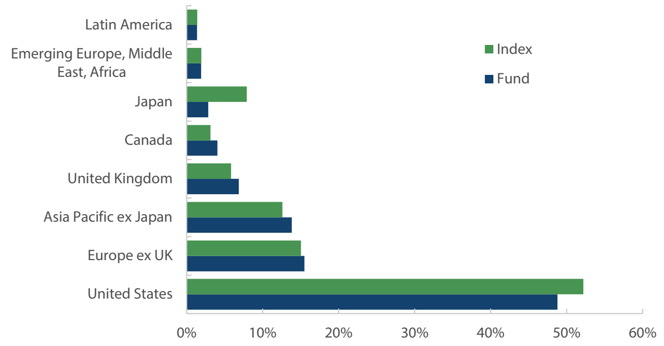
Five year cumulative performance (gross) [1]



Manager allocations

Manager	Range	Actual
Davis Advisors	10 – 30%	26.9%
Epoch	10 – 30%	19.7%
Principal Global Investors	10 – 30%	25.9%
WCM	10 – 30%	26.0%
Nikko AM Derivatives	0 – 20%	0.0%
Nikko AM Cash	0 – 10%	1.5%

Geographical allocation



Emerging markets: 13.8% of the fund

Top 10 holdings

Company	Fund	MSCI	Country
Amazon.Com	2.45%	1.04%	US
Alphabet, Class C	2.13%	0.71%	US
Facebook	1.75%	0.91%	US
Wells Fargo	1.75%	0.27%	South Africa
Naspers	1.67%	0.62%	US
Alibaba Group Holding	1.52%	0.43%	China
Capital One Financial	1.42%	0.10%	US
Taiwan Semiconductor	1.21%	0.03%	China
Safran	1.18%	0.00%	Taiwan
New Oriental Educatin	1.16%	0.03%	Canada

Key fund facts

Strategy launch date
October 2008

Strategy FUM
$174.3m

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

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).

Hedging
Gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

Market commentary

The buoyant mood of the global equity markets carried on through to the final quarter of 2017 with markets remaining on their upward trajectory. The MSCI All Countries World Index (ACWI) returned 7.47% (NZD, unhedged) over the December quarter, 5.01% hedged to NZD. Earnings remained robust over the three-month period and broader macro observations are generally for growth to continue.

The agreement of the long awaited US tax reform bill, which announced permanent cuts for corporations, provided a lift for markets over the quarter. While growth expectations remain positive overall, a counter to this is the flattening of the US yield curve, which has opened up the debate of what to expect next.

In recent months we have seen a change in commodity pricing with prices rising in part due to stronger demand from China for hard commodities. An OPEC driven agreement to extend production cuts to the end of 2018 has seen the price of Brent crude surging around 18% in the quarter alone.

Looking at sector performance, the strongest gains were in Information Technology and the Consumer Discretionary. Emerging Asia returned 10.3% and Japan 10.4%. Europe however lagged in relative terms returning a weaker 2.7%, in part a reflection of its strength during the prior quarter. European economic data remained positive however, suggesting a modest acceleration in growth.

Fund commentary*

The Fund trailed the benchmark performance by 25 basis points (bps) over the fourth quarter, with a return of 4.76% (NZD, hedged). The Value/Shareholder Yield manager, Epoch, was once again a major drag on performance, trailing the benchmark by 222 bps. WCM's Quality Growth strategy also struggled in December and ended the quarter 67 bps behind the benchmark, but PGI (+38 bps) and Davis (+131 bps) both outperformed. Growth outperformed the benchmark by about 90 bps over the quarter, while Value lagged the benchmark by 90 bps.

At the aggregate Fund level, the most significant detractor from performance was stock selection within the Healthcare, Materials and Energy sectors. Adding the most value over the quarter were overweights to Information Technology and Consumer Discretionary (which both outperformed) as well as stock selection within those sectors.

Epoch's major detractors from performance were a very large overweight to the high yielding Utilities and Telecoms sectors, which performed poorly over the quarter, as well as a large underweight to the strong performing Information Technology sector. Davis however experienced a very strong quarter in terms of relative performance. Its large underweights to the underperforming Healthcare and Utilities sectors added significant value, while the balance of the outperformance came from stock selection within the Financials and Consumer Discretionary sectors

*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.

Contact Us

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Important Information