

NIKKO AM GLOBAL SHARES 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

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth.

Benchmark

MSCI All Countries World Index (net dividends reinvested), in NZD terms.

Performance objective

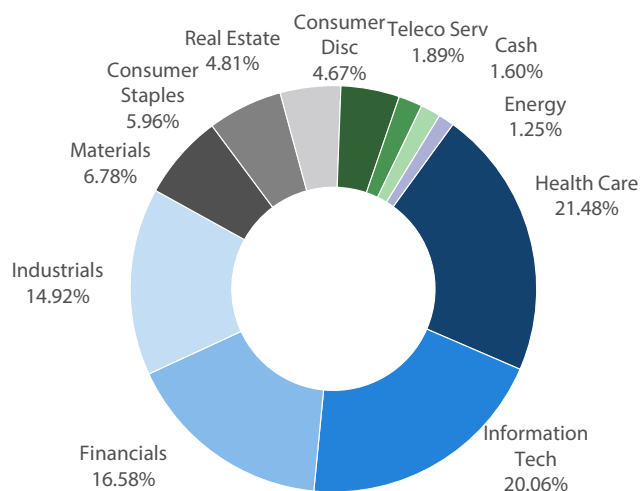
The aim is to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

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



Portfolio Manager

William Low, Head of Global Equity is responsible for management of the Global Equity team and the Edinburgh office.



Will has over 25 years of experience in the industry with a strong track record managing equities.

Performance returns

	Gross ¹	Benchmark	Net Returns ²
1 month	-2.70%	-1.95%	-1.97%
3 months	6.38%	7.47%	7.22%
6 months	13.91%	13.59%	

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

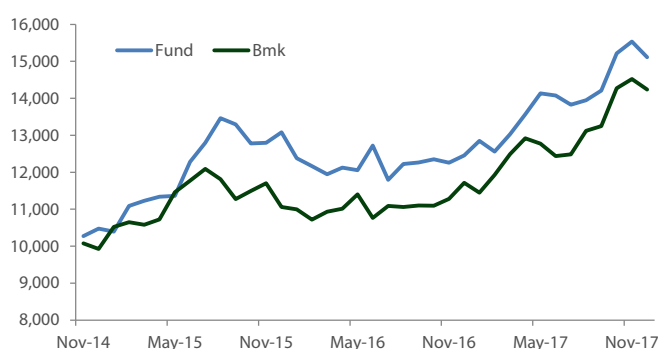
2. Net returns are before tax but after the deduction of fees and expenses.

Contribution to performance (quarter)

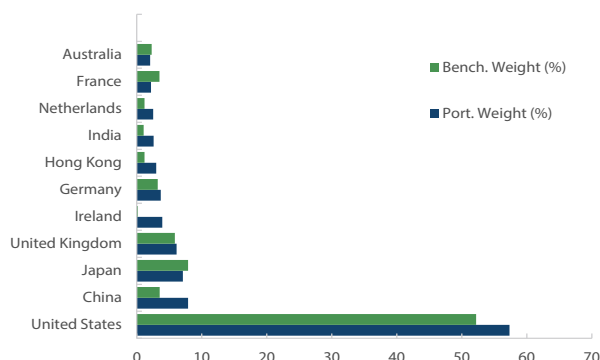
What helped	What hurt
Tencent Holdings	OW Celgene Corporation
SVB Financial Group	OW Royal Philips NV
Microsoft Corporation	OW Johnson Matthey Plc

OW: overweight; UW: underweight; NH: no holding – at month end position

Since inception cumulative performance (gross)¹



Geographical allocation (% of fund)



Top 10 holdings

Company	Fund	MSCI	Country
Microsoft Corporation	5.12%	1.36%	US
LivaNova Plc	4.02%	0.00%	US
Facebook, Inc. Class A	3.85%	0.91%	US
Tencent Holdings Ltd.	3.77%	0.65%	China
Progressive Corporation	3.57%	0.07%	US
TransUnion	3.13%	0.02%	US
Healthcare Services Group	3.06%	0.00%	US
AIA Group Limited	2.99%	0.22%	Hong Kong
American Tower Corp.	2.87%	0.13%	US
Estee Lauder Companies Inc.	2.82%	0.06%	US

Key fund facts

Strategy launch date July 2017 Strategy FUM \$15.9m Fund structure PIE fund – wholesale and retail Fees in retail fund: Management fee 0.95%p.a Expenses (maximum) 0.25%p.a Expenses (current) 0.25%p.a Buy/sell spread 0.07% / 0.07%	Distributions Generally does not distribute Benchmark MSCI All Countries World Index (net dividends reinvested) in NZD terms Hedging The fund's foreign currency exposure is unhedged.
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Market Commentary

The buoyant mood of the global equity markets carried on through Q4 2017 with markets remaining on their upward trajectory. Over Q4 earnings remained robust 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. While growth expectations remain positive overall, to counter this, the US yield curve has flattened and has opened up the debate of what to expect next. Commodity pricing has risen in part due to stronger demand from China for hard commodities. An OPEC driven agreement to extend oil production cuts to the end of 2018 has seen the price of Brent crude surging around 18% in the quarter alone. The strongest sector gains were in the Information Technology and Materials with lower beta sectors such as Utilities, Healthcare and Telecoms. Regionally, a return to favour for the cyclical industrial producers of Asia made those geographies particular winners over Q4. Europe ex UK however lagged in relative terms returning a weaker 2.6%.

Fund commentary

The portfolio underperformed its benchmark by -1.09% in Q4 with a return of 6.38% against the MSCI ACWI return of 7.47% (in NZD terms).

Holdings with notable impact on returns included the following: **Tencent** saw further upward revisions to earnings estimates during the quarter as demand for its mobile and PC gaming products was better than originally anticipated. The expectation of tax reform legislation passing and the potential for an improved economic outlook for 2018 led to **SVB** performing strongly during December. **Microsoft** continues to gain traction with its cloud business, Azure. The prospective change in US tax legislation also had a positive impact on the shares. **Sony** shares rose sharply as the company delivered a very strong set of quarterly earnings results. **Progressive** reported strong results in the last quarter. Auto insurance industry pricing remains strong and they continue to win market share in both auto and home insurance. **Celgene** was weak after announcing the failure of a clinical trial, evaluating a promising new treatment for Crohn's Disease. They also lowered their 2020 targets in light of this. **Royal Philips** was down 3% in December on continued profit taking after strength earlier in the year, which had seen the stock re-rate significantly. **Johnson Matthey** succumbed to profit taking again in Q4 after Q3's strength. Until the company announces firm contracts for their new, potentially disruptive material for electric vehicle batteries, they will continue to be seen as losers from the ongoing evolution in global car powertrains. **BAE Systems** shares were hit by on-going rumours about a \$20bn black hole at the UK's Ministry of Defence. There is speculation that defence programs will have to be cut and BAE, as the UK's largest defence contractor, is a likely loser. **Cooper Companies** was down on a combination of profit taking in Healthcare's winners into the year end, and on concerns over the potential adverse impact of US tax changes on Cooper's EPS.

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

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