

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. Investment prohibited in tobacco manufactures, defined as those included in GICS code 30203010.

Benchmark

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

Performance objective

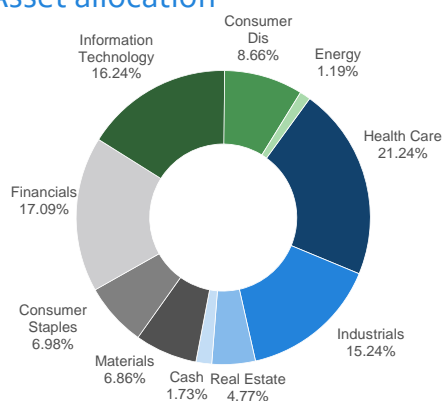
The aim is to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.



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	2.48%	1.51%	1.99%
3 months	1.81%	1.28%	2.40%
6 months	17.08%	15.78%	14.12%

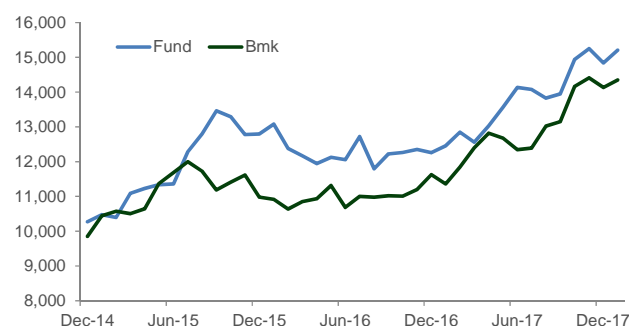
- Gross returns are before tax and before the deduction of fees.
- Net returns are before tax but after the deduction of fees and expenses.

Performance attribution (month)

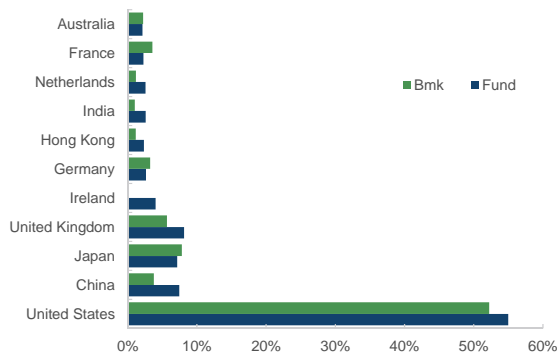
What helped	What hurt
ResMed Inc OW	Progressive Corp OW
Johnson Matthey Plc OW	Shire Plc OW
Tencent Holdings Ltd. OW	Celgene Corp OW

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	5.33%	1.44%	US
Amazon.com	4.15%	1.22%	US
LivaNova	4.03%	0.00%	US
Tencent Holdings	3.53%	0.70%	China
Progressive Corporation	3.21%	0.07%	US
TransUnion	3.17%	0.02%	US
Healthcare Services Group	3.00%	0.00%	US
Red Hat	2.87%	0.05%	US
ResMed	2.81%	0.03%	US
Estee Lauder	2.80%	0.06%	US

Key fund facts

Strategy launch date July 2017	Distributions Generally does not distribute
Strategy FUM \$16.3m	Benchmark MSCI All Countries World Index (net dividends reinvested) in NZD terms
Fund structure PIE fund – wholesale and retail	Hedging The fund's foreign currency exposure is unhedged.
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%	

Market Commentary

January was another buoyant month for global equities with the IT sector the biggest winner (returning 3.5%) and continuing its run from 2017 where it was the strongest performer over the year. Consumer Discretionary also performed well, returning 3.4%.

Weaker parts of the market include Consumer Staples which was relatively lacklustre returning -2.2%, while Energy pulled back from a strong December return.

Contact us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

Important Information

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Regionally, Europe ex UK outperformed the benchmark returning 2.2%, meanwhile the US picked up the pace from a weaker December, returning 1.6%, marginally higher than the benchmark returns of 1.5%. The UK and Japan had a more sluggish month returning -1.0% and 0.5% respectively.

In recent years the confidence of accelerating economic growth has benefitted equities, however, returns have been dominated by higher valuations rather than profit growth. Opinions are shifting on where and when cyclical growth is occurring, with surprises in Europe and China, while there are mixed signals coming from the US.

Fund commentary

The portfolio outperformed its benchmark by 0.97% in January with a return of 2.48% against the MSCI ACWI return of 1.51% (in NZD terms).

Holdings with notable impact on returns included the following:

ResMed was strong after better than expected results - with revenue growth well ahead of expectations, driven by continued market share gains. The company also talked confidently about the long-term growth dynamic behind their connected-care offering, both in the treatment of sleep apnoea and (eventually) Chronic Obstructive Pulmonary Disease (COPD). **Johnson Matthey** was strong on renewed optimism regarding the company's ability to participate in the advance of electric vehicles. **Tencent Holdings** continued its ascent after a new game release garnered excellent reviews, suggesting that the momentum in this business continues unabated.

Microsoft's quarterly results confirmed the market's positive outlook for the company. The company delivered strong results in all segments leading to an increase at the earnings level. Of particular note was the cloud business which grew at 98% year on year, while also delivering improving margins.

Ryanair rebounded from Q4 2017's weakness as close peer EasyJet confirmed that pricing on European short haul air travel was starting to improve. **Progressive Corporation** saw some profit taking after last year's strength, on concerns over pricing in auto insurance, following California's announcement that it was to investigate industry profitability, which may be breaching the State's excess profit laws. However, the company issued results this month that were generally stronger than expected, and pointed to continued market share expansion (rather than pricing) being the main driver of growth.

Shire was weak after management pushed out the timing for their Strategic Review of their Attention Deficit Hyper-Activity Disorder (ADHD) business. This increased uncertainty over management execution. **Celgene Corporation** was soft on investor disquiet about the price paid for the acquisition of Juno Therapeutics. The acquired business is loss making at present and 2018 guidance was pushed lower as a result. **ICON** was weak on slightly softer sentiment towards CROs this month – despite issuing preliminary guidance for 2018 that was slightly above market expectations.

AIA Group saw profit taking on fears of a potential slowdown in growth in Hong Kong, driven by increasing Regulation.

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