NIKKO AM GLOBAL EQUITY UNHEDGED 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 aims to provide investors with long term growth from an actively managed investment portfolio selected from global equity markets. A multi-manager approach that is outsourced to a range of exceptional international investment managers.

Benchmark

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

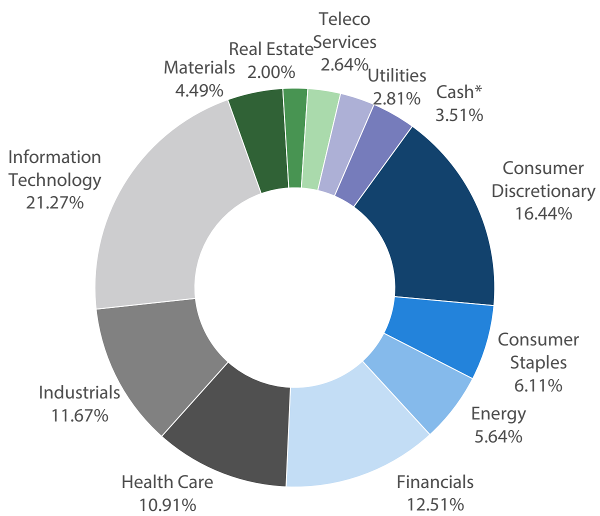
Performance objective

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

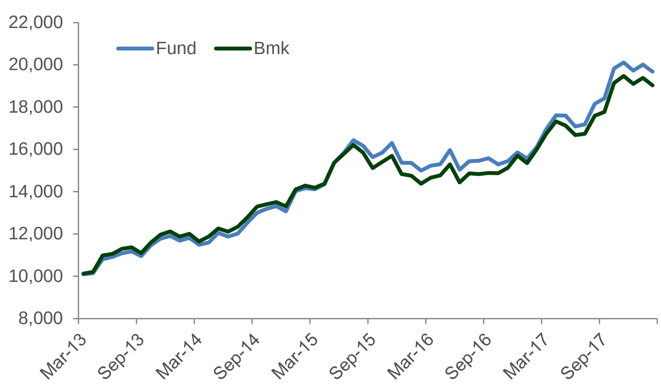
The multi-manager global equity strategy is managed by Nikko AM's multi-strategy team based across Sydney and Singapore. This team provides advice and input to the Nikko AM NZ Investment Committee which is responsible for the ongoing selection, monitoring and review of all the underlying investment managers. The Nikko AM NZ Investment Committee comprises senior members from the business and is chaired by the Managing Director, George Carter.

Performance returns

	Gross[1]	Benchmark	Net Returns[2]
1 month	-1.68%	-1.83%	-1.79%
3 months	-2.21%	-2.29%	-1.34%
1 year	22.12%	18.96%	21.09%
2 years (pa)	14.55%	15.06%	14.33%
3 years (pa)	11.58%	10.03%	10.58%
5 years (pa)	14.49%	13.73%	13.22%

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]

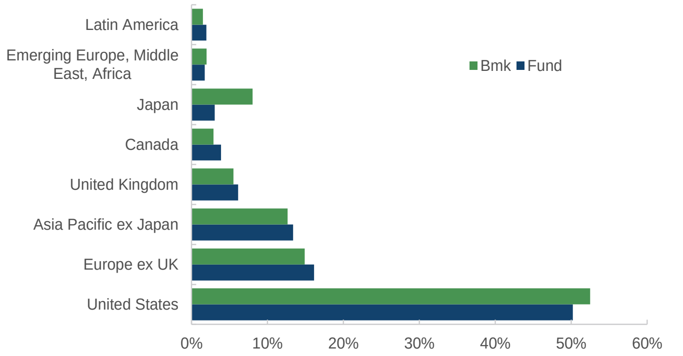


nikko am
Nikko Asset Management

Manager allocations

Manager	Range	Actual
Davis Advisors	10 – 30%	27.5%
Epoch	10 – 30%	18.9%
Principal Global Investors	10 – 30%	26.5%
WCM	10 – 30%	26.4%
Nikko AM Derivatives	0 – 20%	0.0%
Nikko AM Cash	0 – 10%	0.7%

Geographical allocation



Emerging markets: 13.7% of the fund

Top 10 holdings

Company	Fund	MSCI	Country
Amazon.Com	3.04%	1.33%	US
Alphabet, Class C	2.52%	0.75%	US
Facebook	1.78%	0.91%	US
Naspers	1.60%	0.26%	South Africa
Wells Fargo & Co	1.54%	0.59%	US
Alibaba Group Holding	1.42%	0.46%	China
Taiwan Semiconductor	1.30%	0.00%	Taiwan
Capital One Financial	1.30%	0.10%	US
Safran	1.20%	0.08%	France
New Oriental Education	1.18%	0.03%	China

Key fund facts

Strategy launch date
October 2008

Strategy FUM
$367.19m

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) 0.09%p.a

Buy/sell spread
0.07% / 0.07%

Distributions
Generally does not distribute

Benchmark
MSCI All Countries World Index (net dividends reinvested) NZD, unhedged. Prior to 1 June 2014 MSCI World Index (net dividends reinvested), NZD unhedged.

Hedging
Any foreign currency exposure is unhedged.

Market commentary

Global equity markets experienced their first downward trajectory in over a year during early February. Although they recovered somewhat later in the month, most equity indices still ended the month in the red. The MSCI All Countries World Index return for February was -1.83% (NZD, unhedged). Part of the weakness was driven by a decline in US Treasuries due to expectations of stronger cyclical inflation.

The Information Technology sector continued its strong run, returning 1.3% during the month. Apple was by far the best performer with a gain of 9%, but Facebook and Google fell 2.6% and 4.7% respectively. Energy, however, remained the weakest part of the market returning -5.9%, while Real Estate (-4.5%) and Consumer Staples (-4.3%) also struggled. Returns in key regional markets saw some change from January with Japan seeing the strongest returns of 0.7%, a reversal from a slow January. US equities posted a return of -1.7% which was slightly better than the broader market. Europe in general was among the weakest of the key markets returning -4.0%. Emerging markets also struggled with China, South Korea and India all falling more than 4%. Brazil was one of the exceptions, rising 0.1%. Despite the declines over February, markets still remain around the levels of those in December 2017, and we believe many good opportunities remain in global equities.

Fund commentary*

The Fund returned -1.68% in February to outperform the benchmark by 15 basis points (bps). PGI (90 bps), Davis (47 bps) and WCM (31 bps) all performed better than the benchmark while Epoch (-171 bps) continued to be a drag on relative performance. In addition to the underperformance of the Value style, Epoch's sector tilts and security selection also detracted significant value. The large underweight to Technology (the best performing sector in February) detracted 40 bps while the large overweight to Energy (the worst performing sector) detracted 20 bps. Security selection was negative across a number of sectors. Among the worst performers were the US utility holding company PPL Corp (-7.9%), the British mobile phone operator Vodafone (-9.9%) and the US parcel delivery company UPS (-15%).

Winners however outnumbered losers in February with the Growth-oriented exposures of PGI, Davis and WCM adding the most value. At the aggregate fund level, stock selection was strongest in the Consumer Discretionary, Industrials and Materials sectors. Among Consumer Discretionary names, Amazon.com (up 6.8%), TAL Education (up 18.8%) and Ferrari (up 7.1%) added the most value. The Industrials exposure was led by strong gains in Verisk Analytics (up 4.7%) and Qantas Airways (up 10.2%), while the non-mining exposure to Dutch chemicals company Akzo Nobel (up 6.1%) performed best in the Materials sector. The exposure to Financials detracted some value through the larger holdings in Wells Fargo and HSBC Bank, but Sul America (up 5.1%), Bank of NT Butterfield (up 17%) and First Republic Bank (up 6.2%) bucked the trend of their larger peers.

*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

www.nikkoam.com | nzenquiries@nikkoam.com