

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

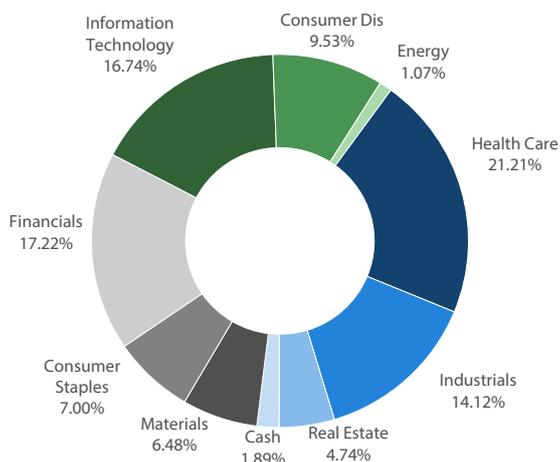
The aim is to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

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 Will joined Nikko AM in 2014 having previously been Director of Equities at Scottish Widows Investment Partners.



Will has experience of managing EAFE, Global ex-US and Global equity strategies, and has brought over 25 years of experience to building a robust team and process that harnesses those strengths in researching companies and building high conviction investment portfolios.

Performance returns

	Gross ¹	Benchmark	Net Returns ²
1 month	-0.13%	-1.83%	-0.01%
3 months	-0.42%	-2.29%	-0.03%
6 months	10.90%	8.16%	12.26%

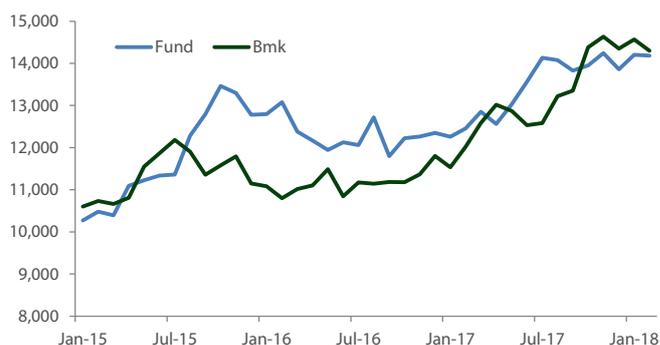
- Gross returns are before tax and before the deduction of fees.
- Net returns are before tax but after the deduction of fees and expenses.

Performance attribution (month)

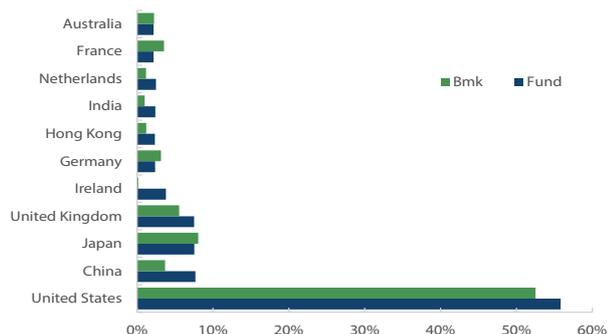
What helped	What hurt
Res Hat, Inc	OW Healthcare Services
Progressive Corporation	OW Johnson Matthey Plc
LivaNova Plc	OW Celgene Corporation

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	5.40%	1.48%	US
Amazon.com	4.45%	1.33%	US
LivaNova	4.34%	0.00%	US
Progressive Corporation	3.51%	0.07%	US
Tencent Holdings	3.38%	0.68%	China
Red Hat	3.31%	0.06%	US
TransUnion	3.13%	0.02%	US
Estee Lauder	2.95%	0.07%	US
Sony Corporation	2.86%	0.14%	US
SVB Financial Group	2.81%	0.03%	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 Any 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

Global equity markets had their first downward trajectory in over a year during February, returning -1.8%. A decline in US Treasuries driven by expectations of stronger cyclical inflation prompted the falls.

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Important Information

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The IT sector meanwhile continued a strong run, returning 1.3%, with our IT holding in Red Hat performing strongly, adding 49bps to performance. Consumer Discretionary, while negative, also continued to perform ahead of the market, returning -1.12%. In the portfolio Li Ning, Sony and Amazon were all strong contributing 37bps, 28bps and 26bps respectively to performance. Energy, however, remained the weakest part of the market returning -5.9% and Real Estate was also weak returning -4.5%.

Returns in key regional markets saw some change from January with Japan seeing the strongest returns of 0.9%, a reversal from a slow January. The US saw negative returns of -1.3%, although this was ahead of the market. The UK and Europe ex UK were the weakest of the key markets returning -4.1% and -3.4% respectively.

Despite the declines over February, markets still remain around the levels of those in December 2017, and we believe many good opportunities remain in the market. With regards to portfolios, our stock picking drives the overall shape of positioning with respect to geographies or sectors. Over the quarter these stock picks have continued to be reasonably dispersed across sectors and geographies.

Fund commentary

The portfolio outperformed its benchmark by 1.70% in February with a return of -0.13% against the MSCI ACWI return of -1.83% (in NZD terms). Holdings with notable impact on returns included: **Red Hat** stock rose materially post comments from an investor day highlighting the company's market opportunity and positioning as a 100% open source and hybrid cloud leader at the intersection of infrastructure, applications and management. **Progressive Corporation** rose strongly after having been weak in January with the company posting strong monthly sales and profitability figures during February. Sales grew 22% and margins remain very healthy and far better than the industry. **LivaNova** was strong after announcing another strategically compelling acquisition, which supplements the long-term growth potential of the business. Results at the end of the month then beat expectations with the outlook for 2018 being strong too – driven by acceleration in growth in the neuromodulation and cardiopulmonary segments.

Sony had good results, driven by earnings from its music, CMOS sensor and gaming segments.

Li Ning recovered from recent weakness as investors focused again on the stock's growth potential – helped by increased brand awareness after the New York Fashion week.

*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.