

Factsheet 31 October 2018

NIKKO AM GLOBAL SHARES UNHEDGED STRATEGY

Applies to: Nikko AM Wholesale Global Shares Fund, Nikko AM Global Shares Fund (retail) and Nikko AM KiwiSaver Scheme Global Shares Fund

Market Overview

- Global equities fell 6.1% (unhedged) in October, as the US attempt to re-draw global trade.
- Fears of the impact of quantitative tightening in the US has been offset by a booming US economy and a surge in corporate profits.
- Trade fears were exacerbated this month by hawkish speeches from US Treasury Secretary Mnuchin and President Trump regarding China.

Fund Highlights

- The portfolio was in line with the index in the month of October on a gross of fee basis.
- Amazon, SVB Financial, and Royal Philips made the greatest negative contribution to performance.
- Redhat and American Tower made the greatest positive contribution to performance.

Performance

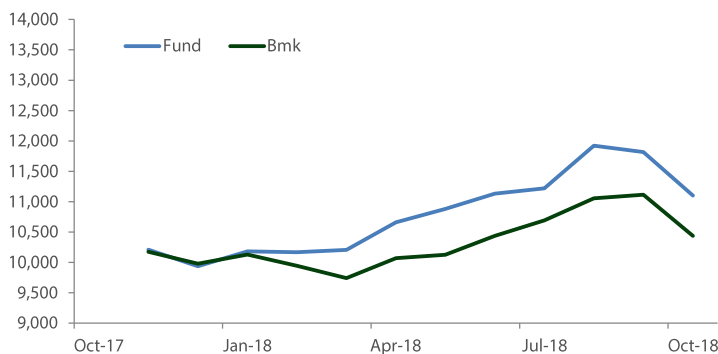
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-6.06%	-1.08%	11.00%			
Benchmark ²	-6.08%	-2.37%	4.37%			
Retail ³	-8.24%	-3.38%	7.10%			
KiwiSaver ³	-8.17%	-3.14%				

1. Returns are before tax and before the deduction of fees

2. Benchmark: MSCI All Countries World Index (net dividends reinvested), in NZD terms. No tax or fees.

3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any)

Since Inception Cumulative Performance (gross)¹



Investment Manager

The Global Shares Fund is managed by Nikko AM's Global Equity team which is based in Edinburgh, Scotland. With over 20 years average experience, team members have dual roles of portfolio manager and analyst responsibility and work together on an equal basis to construct client portfolios. This flat investment structure and investment process has been in place since the team's foundation.

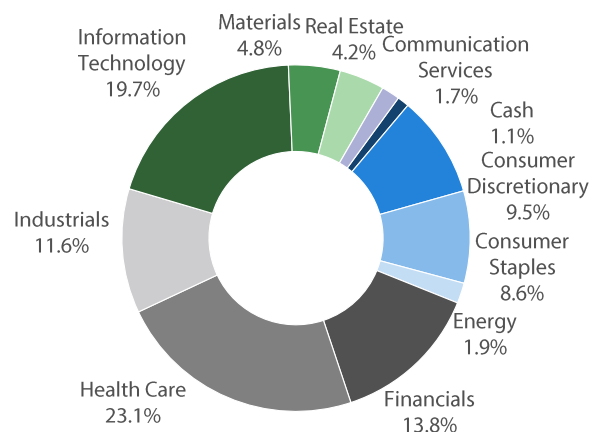
Overview

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

Objective

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

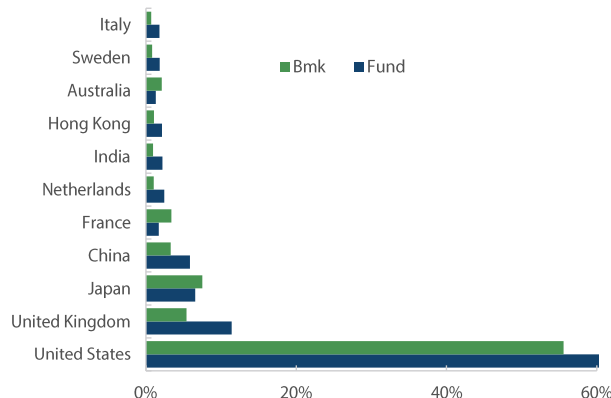
Asset Allocation



Top 10 Holdings

	Fund	MSCI	Country
Microsoft Corp	5.99%	1.80%	US
Progressive Corp	4.30%	0.09%	US
Amazon.com, Inc.	4.04%	1.52%	US
Anthem, Inc.	3.72%	0.16%	US
Sony Corporation	3.64%	0.16%	JP
LivaNova PLC	3.55%	0.00%	UK
American Tower Corp	3.45%	0.16%	US
Unilever PLC	3.41%	0.15%	UK
Red Hat, Inc	3.32%	0.07%	US
TransUnion	3.00%	0.03%	US

Geographical Allocation



Market Commentary

Global equities fell 6.1% (unhedged) in October, as the US' attempts to re-draw global trade in their favour shook exporters across Asia and Europe, and fears intensified regarding the impact of quantitative tightening in the US. These concerns are not new but had been offset by confidence regarding the beneficial impact of a booming US economy and a surge in corporate profits. Although both of these supports remain broadly in place for now, tentative signs have emerged which suggest that we are near their peak. Trade fears were also exacerbated this month by hawkish speeches from US Treasury Secretary Mnuchin and President Trump regarding China. The political stakes remain high ahead of upcoming Midterm elections in the US and G20 Summit at the end of November.

Fund Commentary

The portfolio was in line with the index October on a gross of fees basis. Positive contributors included **Redhat** which received a USD190 per share bid from IBM as the latter tried to strengthen its competitive position relative to Microsoft, Amazon and Google in the Cloud space. This marked a 63% premium to the previous day's close and reflected a major vote of confidence in RedHat's Public Cloud business model. With markets under pressure, REITs have been relatively strong performers and **American Tower** has been no different. Quarterly results towards month end also helped, with organic growth beating estimates and management talking confidently about strong demand going forward into 2019, driven by 4G activity in the US and (increasingly likely) 5G. Negative contributors included **Amazon** which was weak in line with other IT stocks that had been leading markets higher earlier in the year. Quarterly results added to the sell-off with revenue growth guidance to blame – held back mostly by short-term factors. This concern over short-term revenue growth deceleration more than offset a huge increase in profit margins – which speaks to the underlying strength of the business model. **SVB Financial** saw some weak profit-taking too after quarterly results showed slower than expected deposit growth and net interest margin expansion. The management's confidence in the business however, was highlighted by their stated intention to increase investment – including hiring more staff. **Royal Philips** was weak after a poor Q3 report, where a few small short-term items and adverse foreign exchange effects (mostly from emerging markets) conspired to deliver a small miss on quarterly profits. Management also referenced the adverse impact on their business of trade wars and tariffs. Although they are confident that their diversified supply chain can adapt to meet this challenge, there is likely to be a 6 to 9 month drag on profits.

Key Fund Facts

Distributions

Generally does not distribute

Hedging

Any foreign currency exposure is unhedged.

Exclusions

Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.

Estimated annual fund charges

Wholesale: negotiated outside of the unit price

Retail: 1.20%, refer PDS for more details

Kiwisaver: 1.15%, refer PDS for more details. Fee waived until 31/3/2019

Buy / Sell Spread	Strategy Launch	Strategy size
0.07%/0.07%	July 2017	\$79.9m

Compliance

The Fund complied with its investment mandate and trust deed during the month.

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