

Factsheet 30 November 2018

# NIKKO AM GLOBAL SHARES HEDGED STRATEGY

Applies to: Nikko AM Wholesale Global Shares Hedged Fund

## Market Overview

- Global equities fell 3.5% (NZD, unhedged) in November, against a backdrop of continued volatility. This followed the sharp sell-off in October.
- Currency movements resulted in the hedged index increasing 3.15% over November.
- Cyclical sectors had a torrid time, with economic indicators outside the US exhibiting softness and investors questioning how long the US could stay strong if its trading partners were not.
- Global markets have been greatly affected by implementation of tariffs on Chinese exports by the US.

## Fund Highlights

- The portfolio outperformed the index by 1.52% in the month of November on a gross of fee basis.
- Li Ning, HDFC and Healthcare Services Group made the greatest positive contribution to performance.
- Livanova, Progressive and Labcorp made the greatest negative contribution to performance.

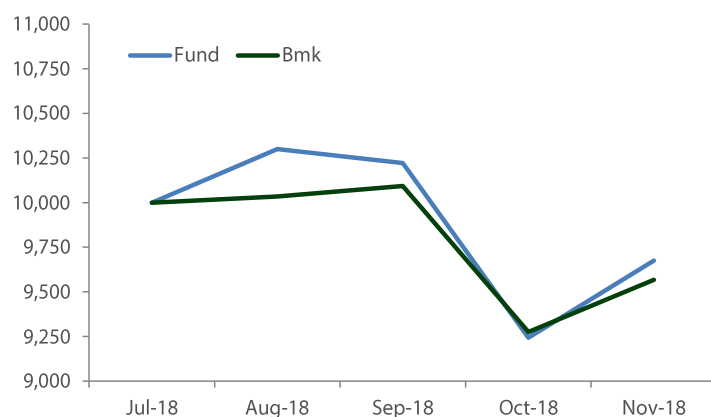
## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	4.67%	-4.00%				
Benchmark <sup>2</sup>	3.15%	-3.78%				

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.

## Since Inception Cumulative Performance (gross)<sup>1</sup>



## 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.

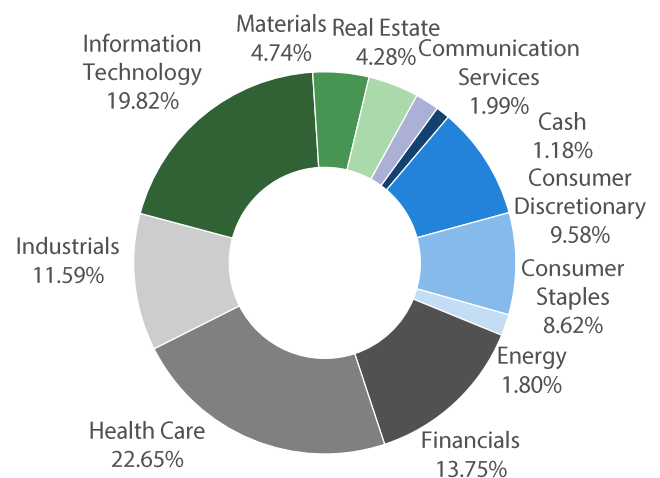
## Overview

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.

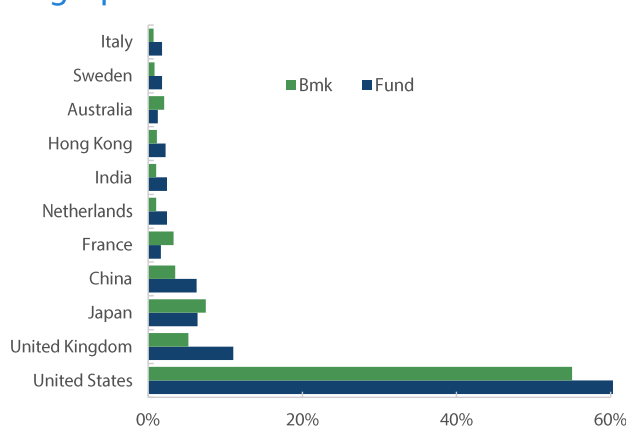
## Asset Allocation



## Top 10 Holdings

	Fund	MSCI	Country
Microsoft Corp	6.03%	1.85%	US
Amazon.com, Inc.	4.15%	1.59%	US
Progressive Corporation	3.97%	0.09%	US
Anthem, Inc.	3.80%	0.17%	US
American Tower Corporation	3.54%	0.17%	US
Sony Corporation	3.39%	0.15%	JP
Unilever PLC	3.38%	0.15%	US
Red Hat, Inc	3.35%	0.07%	US
LivaNova PLC	3.12%	0.00%	UK
TransUnion	2.86%	0.03%	US

## Geographical Allocation



## Market Commentary

Global equities fell 3.5% (NZD, unhedged) in November, against a backdrop of continued volatility – following the sharp sell-off in October. Cyclical sectors had a torrid time, with economic indicators outside the US exhibiting softness and investors questioning how long the US could stay strong if its trading partners were not. This divergence in economic momentum has doubtlessly been driven by short-term phenomena including US tax reforms, at exactly the same time as China is deleveraging and Europe remains beset by political problems. Importantly, however, there remains little sustained evidence of the excess or inflation that often signals an impending bust. Although wage inflation has picked up this year, it continues to be constrained by a rising pool of labour as people return to the available work force. The other potential risk over global economics has been a US-led redrawing of the terms of global trade. After a period of particularly fiery rhetoric from US politicians, the much heralded meeting of Presidents Trump and Xi passed off reasonably well at the G20 meeting in Buenos Aires. Although little substantive progress appears to have been made, it was agreed that the US would defer additional tariff increases on Chinese exports and this helped sentiment towards month end.

## Fund Commentary

The portfolio outperformed the index by 1.52% in the month of November on a gross of fees basis. Its return of 4.67% was above that of the MSCI ACWI return of 3.15% (NZD, hedged). The fund’s positive contribution over the month came principally from stocks in the Emerging Market regions (EM), with EM indices staging a recovery. Other positive contributors included Healthcare Services Group which has continued its recovery from the weakness seen earlier in the year. Keyence also enjoyed a good month. Despite the recent weakness in sales growth from some of their sensor and automation peers, the company’s revenues grew by 15% in their second fiscal quarter. Campari performed well following stronger than expected Q3 revenues. Sales of Aperol were up 43% in Q3 and this shows a marked acceleration even relative to high levels of growth seen in previous quarters. This drove the group’s organic revenue growth to almost 9% - which continues to impress relative to a fairly moribund staples sector. Negative contributors included LivaNova which was weak on the news that the Centres for Medicare and Medicaid Services have asked them to complete a clinical trial before recommending reimbursement of neuromodulation treatment for Treatment Resistant Depression. Progressive also suffered some sharp profit taking after monthly figures showed an increase in losses from auto insurance claims (attributed to adverse weather) and higher catastrophe losses (mostly related to Hurricane Michael).

## Key Fund Facts

### Distributions

Generally does not distribute

### Hedging

Any foreign currency exposure is gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

### 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

<b>Buy / Sell spread:</b>	<b>Strategy Launch</b>	<b>Strategy size</b>
0.07%/0.07%	July 2018	\$81.6m

## Compliance

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

## Contact Us

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