

Factsheet 28 February 2019

# NIKKO AM GLOBAL EQUITY HEDGED STRATEGY

Applies to: Nikko AM Wholesale Global Equity Hedged Fund and Nikko AM Global Equity Hedged Fund (retail)

## Market Overview

- Global equity markets extended their January gains into February. The benchmark MSCI ACWI return for February was 4.50% (NZD, unhedged). That brings the 2019-year-to-date return to 9.00%.
- Among the major sectors, the best performers were Information Technology (7.7%) and Industrials (6.1%), while Communication Services (1.9%) and Real Estate (1.6%) showed the weakest returns. Several European equity markets gained more than 5% in February. While emerging markets lagged with a return of 1.8%, China (5.1%) and Taiwan (6.4%) performed far better than their peers. China A-shares in particular were very strong with gains of 15% in February.

## Fund Highlights

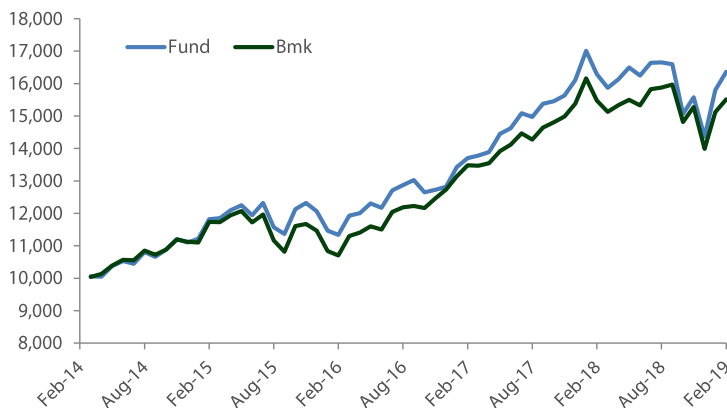
- The Fund gained 3.52% in February, outperforming the benchmark by 0.91%.
- Stock selection in several sectors added value, with the largest contributions from holdings in the Industrials, Healthcare and Consumer Discretionary sectors. Performance attribution by country shows that stock selection was strongest in China and Canada.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	3.52%	5.02%	0.41%	12.99%	10.34%	
Benchmark <sup>2</sup>	2.61%	1.55%	0.26%	13.18%	9.18%	
Retail <sup>3</sup>	4.81%	5.31%	-1.38%	12.00%	8.98%	

1. Returns are before tax and before the deduction of fees. Based on actual calendar periods.
2. Benchmark: MSCI All Countries World Index (net dividends reinvested) 139% gross hedged to NZD. No tax or fees.
3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any). Based on change in unit price.

## Five Year Cumulative Performance (gross)<sup>1</sup>



## 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 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.

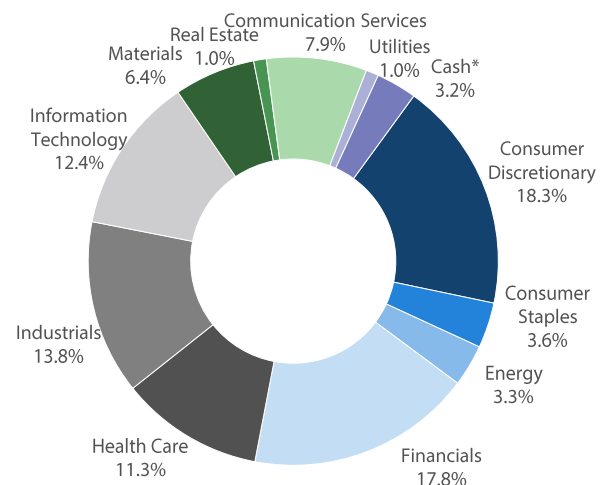
## Overview

This fund aims to provide investors with long term growth from an actively managed investment portfolio selected from global equity markets. Currency exposures created as a consequence of global equity investment are gross hedged at 139% to NZD.

## 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
Amazon.com	2.67%	1.52%	US
Berkshire Hathaway	2.56%	0.58%	US
Wells Fargo & Co	2.28%	0.51%	US
Alphabet, Class c	2.15%	0.79%	US
Visa Inc	2.11%	0.59%	US
New Oriental Education	1.69%	0.03%	China
Suncor Energy	1.66%	0.12%	Canada
Taiwan Semiconductor	1.62%	0.00%	Taiwan
Raytheon Co	1.55%	0.12%	US
Ferguson plc	1.47%	0.04%	US

Manager	Allocation (month)	Active Return (month)
Davis Advisors	27.50%	5.12%
Royal London	35.10%	5.38%
WCM	35.99%	6.99%
Cash and Derivatives	1.41%	n/a

What helped (quarter)	What Hurt (quarter)
Mercadolibre Inc	OW Amazon.com
Raytheon Co	OW Activision Blizzard
iQiyi Inc	OW Sumitomo Mitsui

OW: overweight; UW: underweight; NH: no holding – month end position

## Market Commentary

Global equity markets extended their January gains into February. The benchmark MSCI ACWI return for February was 4.50% (NZD, unhedged). That brings the 2019-year-to-date return to 9.00%. Among the major sectors, the best performers were Information Technology (7.7%) and Industrials (6.1%) performed the best, while Communication Services (1.9%) and Real Estate (1.6%) showed the weakest returns. Several European equity markets gained more than 5% in February. While emerging markets lagged with a return of 1.8%, China (5.1%) and Taiwan (6.4%) performed far better than their peers. China A-shares, in particular, were very strong with gains of 15% in February. US equities took a slide early in the month on market concerns that a US-China trade deal would not be struck before the March deadline, but the S&P 500 managed to post gains through February. The Nasdaq Index outperformed the S&P 500 as Technology stocks were well supported. In particular, Cisco Systems (which makes up over 50% of the Nasdaq Tech sector) was up 8.6%. In Europe, UK equities hit a four-month high on news that the US and China were progressing on trade talks. Asian equities had a solid February across the board. Japan's Nikkei Index was boosted by Fast Retailing (comprising 9% of the Nikkei) which outperformed as tennis star Roger Federer signed with the company to become Uniqlo's global brand ambassador. Softbank, however, stole the limelight with a 22% surge on news the company invested USD 390 million in British digital bank OakNorth.

## Fund Commentary (all return percentages expressed as unhedged NZD unless otherwise stated)

The Fund gained 3.52% (hedged) in February to outperform the benchmark by 0.91%. Stock selection in several sectors added value, with the largest contributions from holdings in the Industrials, Healthcare and Consumer Discretionary sectors. Performance attribution by country shows that stock selection was strongest in China and Canada. At the fund level, the top three contributors to outperformance were the Latin American e-commerce company Mercadolibre (29%), the US defence contractor Raytheon (16%) and the Chinese video streaming business iQiyi (38%). The main detractors from performance were Amazon.com, the video games producer Activision Blizzard (-8.6%) and the Brazilian insurer, Sul America (-5.7%). Among the underlying managers, WCM (6.99%) had a very good month. Apart from weakness in Activision Blizzard (-8.6%), most of its holdings had double-digit gains in February. Its best performers were Mercadolibre (29%), Shopify (15%), Keyence (16%) and Visa Inc (13%). For Royal London (5.38%), Raytheon (16%), Old Dominion Freight Line (13.7%) and Legrand (14%) added the most value. Davis (5.12%) also continued to recover with its Chinese exposures performing well over the month. Highlights were iQiyi (35%), JD.com (11.5%) and Alibaba Group (8.6%).

## Key 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%.

### Estimated annual fund charges

Wholesale: negotiated outside of the unit price

Retail: 1.36%, refer PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07% / 0.07%	October 2008	\$122.61m

## Compliance

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

## Contact Us

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## Geographical Allocation

