

Factsheet 28 February 2019

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 continued to rise in February, as investors grew increasingly confident that monetary policy risk had abated in the US and that global trade conflicts were likely to ease.
- Leadership in equity markets has been fairly concentrated this month, with Information Technology being the best performing sector – climbing 7.9% over the month. Industrials was the only other sector that meaningfully outperformed. This month's underperformers were Real Estate and Communication Services.
- The best performing regions were Hong Kong and Australasia – likely driven by the renewed hope of Chinese stimulus. Europe ex-UK and the UK also outperformed as the likelihood of a hard Brexit appeared to diminish.

Fund Highlights

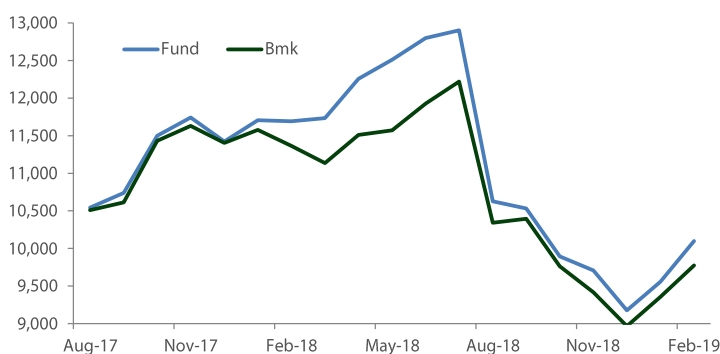
- The portfolio outperformed the index by 1.16% in February on a gross of fee basis.
- Progressive, Danaher and Estee Lauder made the greatest positive contribution to performance.
- Healthcare Services Group, Sony and Amazon made the greatest negative contribution to performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	5.66%	4.02%	11.44%			
Benchmark ²	4.50%	3.79%	5.09%			
Retail ³	4.33%	3.01%	8.06%			
KiwiSaver ³	4.41%	3.30%				

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), 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). Based on change in unit price.

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.

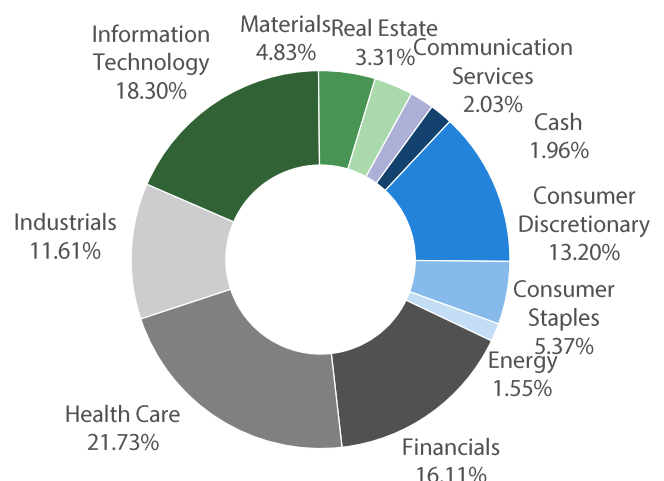
Overview

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.

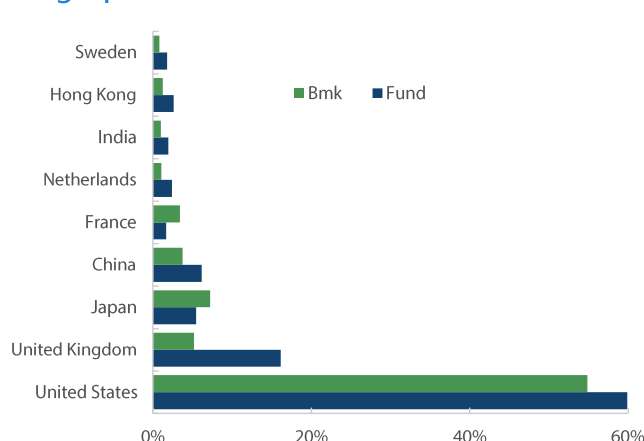
Asset Allocation



Top 10 Holdings

	Fund	MSCI	Country
Microsoft Corp	4.39%	1.82%	US
Progressive Corporation	4.14%	0.09%	US
Amazon.com, Inc.	3.82%	1.52%	US
Anthem, Inc.	3.74%	0.17%	US
Red Hat, Inc	3.25%	0.07%	US
LivaNova Plc	3.24%	0.00%	UK
TransUnion	3.18%	0.03%	US
Unilever PLC	3.16%	0.13%	UK
Danaher Corporation	3.00%	0.18%	US
Verisk Analytics Inc	2.78%	0.04%	US

Geographical Allocation



Market Commentary

Global equities continued to rise in February, as investors grew increasingly confident that monetary policy risk had abated in the US and that global trade conflicts were likely to ease. From several speeches by members of the Federal Reserve, it appears there is a consensus that the economy is not strong enough to tolerate any further tightening. Time will tell if they have paused at the right time, allowing economic growth to re-accelerate. Leadership in equity markets has been fairly concentrated this month, with Information Technology being the best performing sector – climbing 7.9% over the month. Industrials was the only other sector that meaningfully outperformed. This month’s underperformers were Real Estate and Communication Services. Regionally speaking, the best performing regions were Hong Kong and Australasia – likely driven by the renewed hope of Chinese stimulus. Europe ex-UK and the UK also outperformed as the likelihood of a hard Brexit appeared to diminish. Recent votes appear to show a clear majority in Westminster for avoiding leaving the European Union without a trade deal. Laggards this month included Japan and Latin America.

Fund Commentary

The portfolio outperformed the index by 1.16% in February, returning 5.66% on a gross of fees basis, compared with the MSCI ACWI return of 4.50% (in NZD terms). **Progressive**, **Danaher** and **Estee Lauder** made the greatest positive contribution to performance. **Progressive** performed strongly announced double-digit growth in new insurance premiums underwritten. Tight cost control and excellent underwriting also allowed them to meaningfully exceed investor expectations on profits and earnings per share. **Danaher** outperformed after announcing the acquisition of General Electric’s BioPharma business for USD20bn. The acquired business enjoys faster levels of organic growth than Danaher’s core business and significantly higher profit margins. Given the management’s excellent track record in improving acquired business and the strategic synergy with other parts of Danaher, it was seen as an attractive acquisition. **Estee Lauder** climbed after stronger than expected results. Growth in their Asian cosmetic business and in global travel retail remained exceptionally strong, despite fears of the contrary. This allowed them to exceed profit expectations despite continuing to invest behind the business.

Key Facts

Distributions

Generally does not distribute

Hedging

Any foreign currency exposure is unhedged.

Exclusions and restrictions

Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers, adult entertainment, gambling, fossil fuels, alcohol stocks.

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 30/9/2019

Buy / Sell Spread	Strategy Launch	Strategy size
0.07%/0.07%	July 2017	\$89.35m

Compliance

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

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