

Factsheet 31 March 2019

# NIKKO AM GLOBAL SHARES HEDGED STRATEGY

Applies to: Nikko AM Wholesale Global Shares Hedged Fund

## Market Overview

- Global equities continued to push higher in March as investors grew increasingly confident that US rates had peaked and that global trade conflicts were likely to ease.
- Leadership in equity markets was fairly broad in March, with Real Estate, Consumer Staples & Information Technology rising more than 3% over the period. This month's largest underperformer was Financials, which suffered as a result of the US yield curve inversion.
- The best performing regions were USA and Asian Emerging Markets, despite the ongoing trade war concerns. Interestingly other Emerging Market regions – namely LATAM and Eastern Europe – were the worst performing regions, albeit negative returns were relatively minor in scale.

## Fund Highlights

- The portfolio outperformed the index by 1.57% over the quarter on a gross of fee basis.
- Li Ning, Celgene and Progressive made the greatest positive contribution to performance.
- Sony Corporation, Healthcare Services Group and ResMed made the greatest negative contribution to performance.

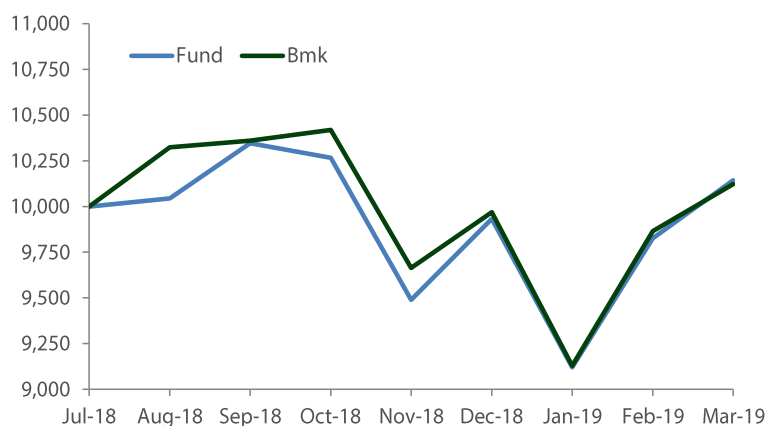
## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	2.83%	14.38%				
Benchmark <sup>2</sup>	1.73%	12.81%				

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.

## 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.

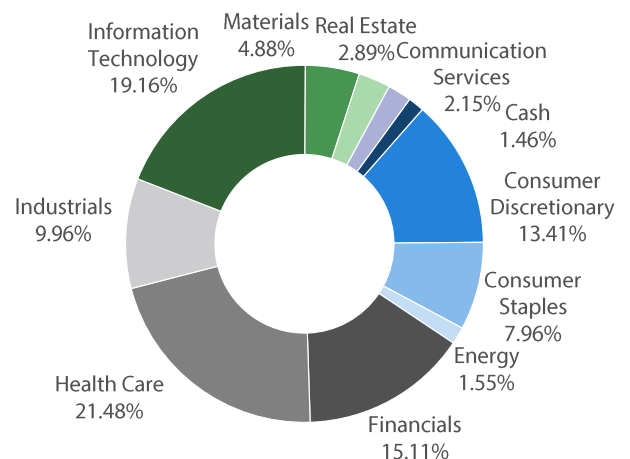
## Overview

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.

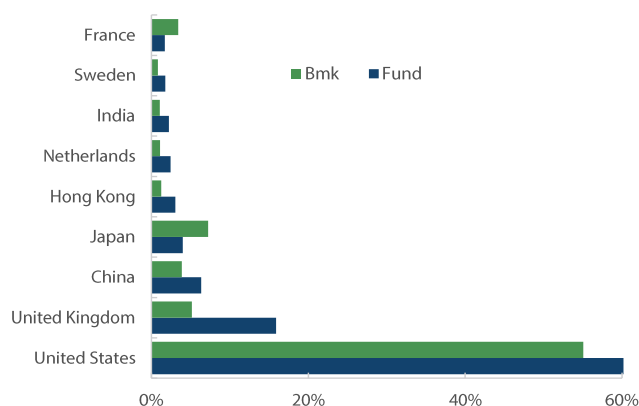
## Asset Allocation



## Top 10 Holdings

	Fund	MSCI	Country
Microsoft Corp	4.56%	1.90%	US
Amazon.com. Inc.	4.09%	1.64%	US
Progressive Corporation	4.04%	0.09%	US
Unilever PLC	3.35%	0.14%	UK
LivaNova Plc	3.33%	0.00%	UK
TransUnion	3.25%	0.03%	US
Anthem, Inc.	3.18%	0.16%	US
Danaher Corporation	3.08%	0.18%	US
AIA Group Limited	3.05%	0.27%	HK
American Tower Corporation	2.89%	0.19%	US

## Geographical Allocation



## Market Commentary

Global equities continued to push higher in March as investors grew increasingly confident that the US rates had peaked and that global trade conflicts were likely to ease. The stock market has recorded one of its largest opening quarter returns for a long time, which naturally lead investors to question whether further gains are likely. The debate is even more evident when you consider the continued wealth of negative revisions – German PMI, earnings downgrades – and the inversion of US rates which occurred after the last Fed meeting towards the end of the month. As economic data has continued to soften over the month, renewed monetary dovishness has been evidenced everywhere. Leadership in equity markets was fairly broad in March, with Real Estate, Consumer Staples & Information Technology rising more than 3% over the period. This month’s largest underperformer was Financials, which suffered as a result of the US yield curve inversion. Regionally, the best performing areas were USA and Asian Emerging Markets, despite the ongoing trade war concerns. Interestingly other Emerging Market regions – namely LATAM and Eastern Europe – were the worst performing regions, albeit negative returns were relatively minor in scale.

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

The portfolio outperformed the index by 1.57% (hedged) over the quarter, returning 14.38% on a gross of fees basis, compared with the MSCI ACWI return of 12.81% (in NZD terms). **Li Ning**, **Celgene** and **Progressive** made the greatest positive contribution to performance. **Li Ning** has continued to perform very strongly and delivered a flawless set of 2018 results. E-commerce sales have accelerated, indicating a further strengthening in their brands and we expect 2019 guidance to be conservative. Management also initiated a dividend payment, confirming their confidence in the company’s future and financial strength. **Celgene** was strong this month as institutional proxy voting providers like ISS recommended that Bristol Myers and Celgene shareholders approve the acquisition transaction. This saw activists abandon their attempt to block the deal and spread between Celgene’s share price and the offer price contracted meaningfully. **Progressive** had a strong quarter as it continues to deliver positive numbers and consistently exceeds expectations. Premium growth was over 15% as they continue to win share in the auto market and make significant gains in home insurance.

## 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 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

Buy / Sell spread:	Strategy Launch	Strategy size
0.07%/0.07%	July 2018	\$48.83m

## Compliance

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

## Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor’s objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.