Factsheet 31 May 2019

NIKKO AM GLOBAL EQUITY UNHEDGED STRATEGY

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

Market Overview

- The rally seen in markets earlier in the year went into reverse in May as trade talks between the US and China broke down without the expected agreement.
- The Healthcare sector outperformed broader markets, as did other traditional defensives like Real Estate and Utilities.

Fund Highlights

- The Fund was down -4.08% in May to trail the benchmark by 32 bps.
- Asset Allocation detracted value in May through an overweight position in the Consumer Discretionary sector, and underweights to the outperforming defensive sectors (Consumer Staples, Utilities and Real Estate).
- Security selection was mixed, but the main negatives were found in the Energy, Communication Services and Financials sectors. The notable positive was security selection in the Information Technology sector, with Shopify's 15.5% return the standout.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale[1]	-4.08%	3.43%	5.69%	10.53%	12.34%	
Benchmark[2]	-3.76%	2.95%	6.25%	10.43%	10.93%	
Retail[3]	-3.18%	4.82%	5.07%	9.52%	11.35%	

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.

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.

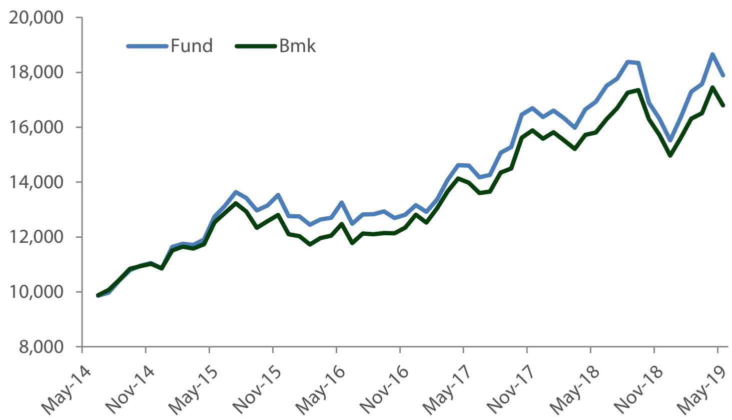
Overview

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 unhedged.

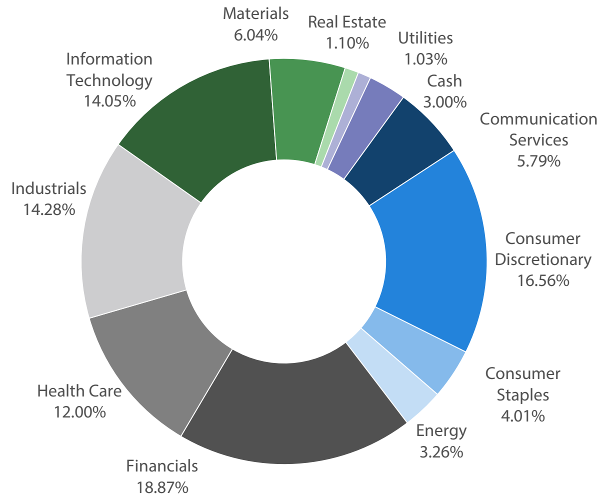
Objective

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

Five Year Cumulative Performance (gross), $10,000 invested[1]



Asset Allocation



Top 10 Holdings	Fund	MSCI	Country
Berkshire Hathaway	2.73%	0.58%	US
Amazon.com	2.49%	1.68%	US
Visa Inc	2.38%	0.64%	US
Wells Fargo	1.99%	0.44%	US
New Oriental Education	1.88%	0.03%	China
Shopify	1.86%	0.06%	Canada
Taiwan Semiconductor	1.67%	0.00%	Taiwan
Suncor Energy	1.64%	0.11%	Canada
Raytheon Company	1.59%	0.11%	US
Alphabet, Class C	1.53%	0.79%	US

Manager	Allocation	Active Return
Davis Advisors	24.56%	-4.90%
Royal London	36.37%	-0.85%
WCM	38.31%	3.26%
Cash and Derivatives	0.76%	n/a

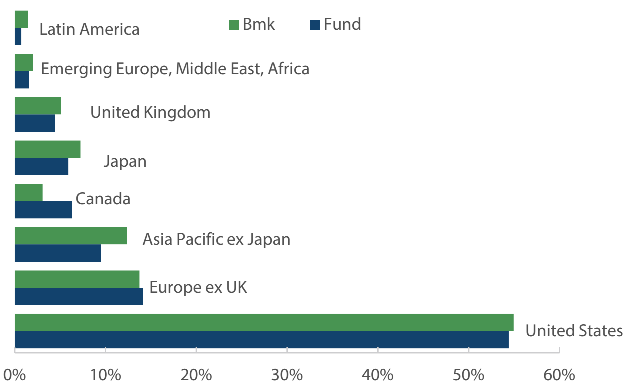
What helped		What Hurt	
Shopify	OW	Steel Dynamics	OW
Mercadolibre	OW	Adient plc	OW
HDFC Bank	OW	Seven Gen. Energy	OW

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

Market Commentary

The rally seen in markets earlier in the year went into reverse in May as trade talks between the US and China broke down without the expected agreement. Both sides blamed each other for the break-down in talks. While the change in direction for markets was fairly abrupt (for both credit and equity), the scale of the sell-off was fairly small, with the MSCI All Countries World Index falling 3.76% in May (unhedged in NZD). Measures of volatility were also fairly subdued and well below the levels seen as recently as the Q4 2018 sell-off. President Trump has certainly been very vocal on the need for the Federal Reserve to change tack and cut rates. Market expectations also shifted this way during May. Only time will tell if further monetary policy largesse will succeed in stimulating greater economic growth than all of the previous attempts. The Healthcare sector outperformed broader markets, as did other traditional defensives like Real Estate and Utilities (both of which were the only sectors to enjoy positive returns this month). The worst performing sector this month was Information Technology, closely followed by Consumer Discretionary. Supply chains in these industries will likely see more dislocation than average if tariffs persist for the medium-term. Profit margins could suffer as a result. Commodity sectors suffered in May too, with both Materials and Energy underperforming on increased concerns over the health of China's economy. These concerns also fed through into regional returns. Other emerging markets outperformed, as did Japan. Europe ex UK also managed to modestly outperform this month, as elections to the European Parliament passed off without the feared gains by populist parties across the region.

Geographical Allocation



Fund Commentary

The Fund returned -4.08% in May to trail the benchmark by 32 basis points (bps). Asset Allocation detracted value in May through an overweight to the Consumer Discretionary sector, and underweights to the outperforming defensive sectors (Consumer Staples, Utilities and Real Estate). Security selection was mixed, but the main negatives were found in the Energy, Communication Services and Financials sectors. The only notable positive was security selection in the Information Technology sector, with Shopify's 15.5% return the standout. At a country level, the overweight to China was the largest detractor from performance. Of the underlying managers, WCM (+326 bps) performed the best by far, with a return of -0.50% in May. RLAM (-85 bps) was unimpressive this month, with its performance dragged down by holdings such as Steel Dynamics, Lear Corp, Daimler and Old Dominion Freight Line. Davis (-490 bps) was however the largest detractor from performance with a return of -8.66%, erasing its strong outperformance from the previous month.

Key Facts

Distributions

Generally does not distribute

Hedging

Any foreign currency exposure is unhedged.

Estimated annual fund charges (Incl GST)

Wholesale: negotiated outside of the unit price

Retail: 1.37%, refer PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07% / 0.07%	October 2008	$279.47m

Compliance

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

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