

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

- 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 (both of which were the only sectors to enjoy positive returns this month).

Fund Highlights

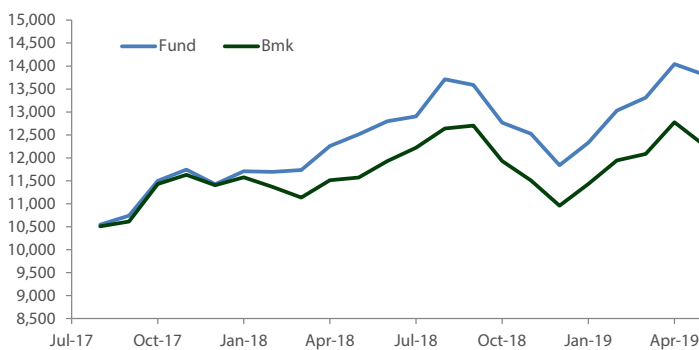
- The portfolio outperformed the index by 2.17% in May, falling 1.59% on a gross of fee basis over the month – compared with the MSCI AC World's decline of 3.76% (in NZD terms).
- Anthem, Progressive and HDFC Bank made the greatest positive contribution to performance.
- SVB Financial Group, Hexagon and Tencent 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	-1.59%	6.08%	10.47%			
Benchmark ²	-3.76%	2.95%	6.25%			
Retail ³	-0.53%	7.70%	9.96%			
KiwiSaver ³	-0.41%	8.14%	11.37%			

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), \$10,000 invested.¹



Investment Manager

The Global Shares Strategy 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.

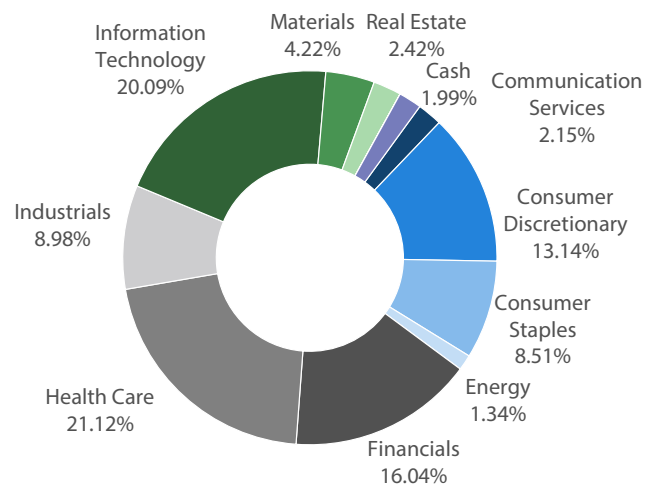
Overview

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.

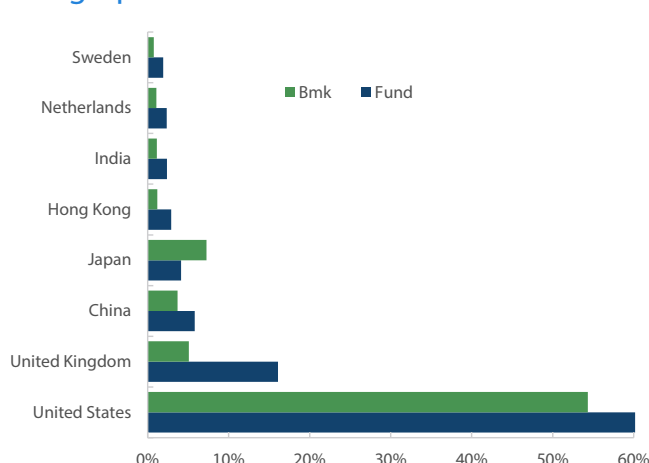
Asset Allocation



Top 10 Holdings

	Fund	MSCI	Count
Microsoft Corp	4.81%	2.05%	US
Progressive Corporation	4.47%	0.11%	US
Amazon.com, Inc	4.10%	1.68%	US
Unilever PLC	3.59%	0.15%	UK
TransUnion	3.21%	0.03%	US
Anthem, Inc.	3.10%	0.16%	US
Danaher Corporation	3.10%	0.19%	US
AIA Group Limited	2.90%	0.26%	HK
Accenture PLC	2.88%	0.26%	IE
McCormick & Company Inc	2.67%	0.04%	US

Geographical Allocation



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 investors had to go back to guessing when the impasse would be cleared. While the change in direction for markets was fairly abrupt (both credit and equity), the scale of the sell-off was fairly small, with the MSCI World Index closing May only 7% off all-time highs seen in September 2018. Measures of volatility were also fairly subdued and well below the levels seen as recently as Q4's sell-off. Arguably the main reason for the muted reaction is the total belief in most investors' minds that any escalation in trade wars and a resultant tailing off in industrial activity will be met with more monetary stimulus. 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.

Fund Commentary

The portfolio outperformed the index by 2.17% in May, falling 1.59% on a gross of fee basis over the month – compared with the MSCI AC World's decline of 3.76% (in NZD terms). Anthem recovered some of the ground lost in April as political support for 'Medicare for All' continued to look relatively weak. Progressive once again delivered strong monthly data in terms of new premiums written. HDFC Bank was the largest contributor this month, driven by political developments in India which suggest a period of relative political stability in the country. American Tower enjoyed a good month in May. Quarterly results announced at the start of the month showed an acceleration in domestic US revenue growth (to 8%), underpinned by increasing investments in 5G networks. Resmed also announced strong results at the start of May, rebounding from the short-term weakness seen in January. Banking stocks were under pressure in May in most markets, as economic data trailed expectations and investor confidence suffered from the break down in trade talks between the US and China. This led to the underperformance of the position in SVB Financial. Hexagon gave up some ground after Q1 numbers confirmed the short-term drag on revenue growth from the roll out of a new product in their Safety & Infrastructure division. Tencent underperformed despite solid quarterly results and Prudential also suffered on increased concerns over the potential impact of a trade war on economic growth in China. Weir Group & EOG both suffered as oil prices retreated towards month end, as fears over the strength of the global economy increased.

Key Fund 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 (Incl GST)

Wholesale: negotiated outside of the unit price

Retail: 1.22%, refer PDS for more details

Kiwisaver: 1.17%, refer PDS for more details. Fee waived until 30/9/2019

Buy / Sell Spread

0.07%/0.07%

Strategy Launch

July 2017

Strategy size

\$141.9m

Compliance

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

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