

Factsheet 30 June 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

- It was a volatile quarter with the benchmark returning 5.72% in April, -3.76% in May and 3.41% in June.
- Trade woes were largely responsible for the rocky mid-quarter performance, as US President Trump increased tariffs from 10% to 25% on a total of USD 250 billion worth of Chinese exports.
- Sector leadership was provided by an unusual mix of Financials (7.4%), Information Technology (6.8%) and Consumer Discretionary (6.0%).

## Fund Highlights

- The portfolio returned 6.11% over the second quarter to outperform the benchmark.
- WCM was responsible for all the outperformance, beating the benchmark by a very significant margin of 495 bps over the quarter.
- 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

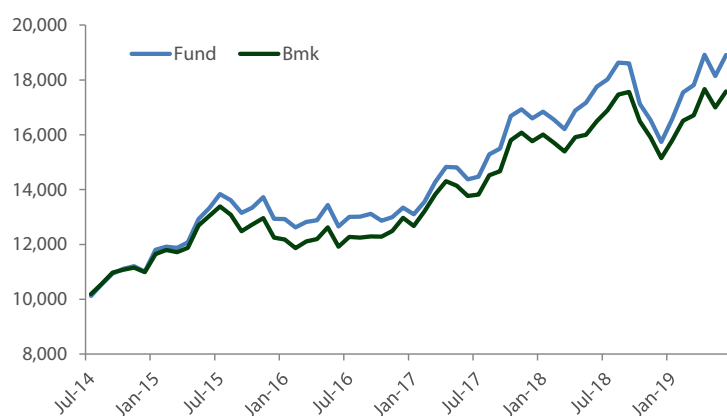
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	4.19%	6.11%	6.48%	14.31%	13.59%	
Benchmark <sup>2</sup>	3.41%	5.21%	6.59%	13.83%	11.94%	
Retail <sup>3</sup>	2.46%	5.90%	5.44%	13.43%	12.35%	

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.

## Five Year Cumulative Performance (gross), \$10,000 invested<sup>1,2</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.

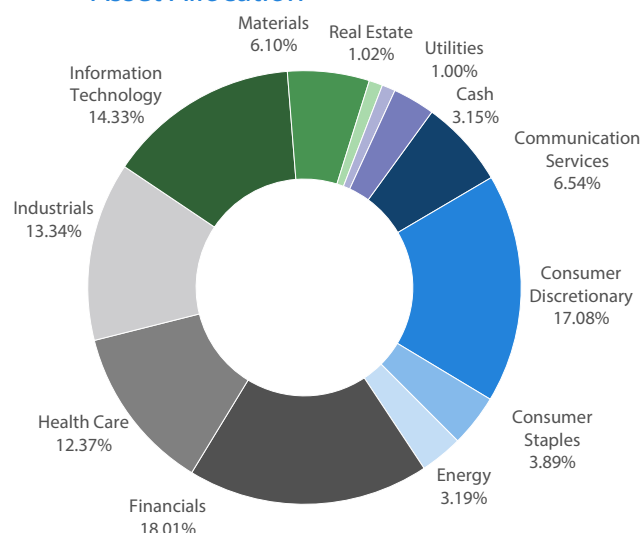
## Overview

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 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.

## Asset Allocation



Top 10 Holdings	Fund	MSCI	Country
Berkshire Hathaway	2.73%	0.59%	US
Amazon.Com	2.49%	1.69%	US
Visa Inc	2.42%	0.65%	US
New Oriental Education	2.04%	0.03%	China
Shopify Inc	1.90%	0.06%	Canada
Taiwan Semiconductor	1.60%	0.00%	Taiwan
Suncor Energy	1.59%	0.11%	Canada
Costco Wholesale	1.51%	0.25%	US
AIA Group	1.51%	0.28%	HK
Microsoft	1.46%	2.09%	US

Manager	Allocation	Active Return (Quarter)
Davis Advisors	24.50%	-0.57%
Royal London	35.67%	-1.81%
WCM	38.32%	4.93%
Cash and Derivatives	1.51%	n/a

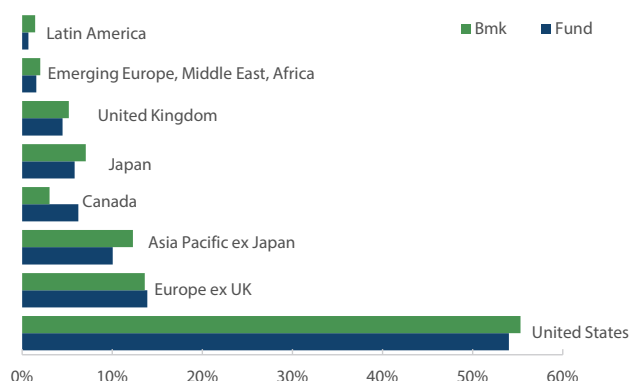
What helped	What Hurt (Quarter)
Shopify	OW Steel Dynamics OW
Adient plc	OW Encana Corp. OW
Steris plc	OW Seven Gen. Energy OW

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

## Market Commentary

For the quarter, the benchmark MSCI ACWI returned 5.21% (NZD, unhedged). It was a volatile quarter with the benchmark returning 5.72% in April, -3.76% in May and 3.41% in June. Sector leadership was provided by an unusual mix of Financials (7.4%), Information Technology (6.8%) and Consumer Discretionary (6.0%). Energy (0.4%) once again lagged by quite a margin, as the oil price fluctuated between a high of USD 66 per barrel and a low of USD 51 per barrel. Among the major countries and regions, Europe ex-UK (7.4%) was among the leaders, together with Switzerland (9.9%) and Brazil (8.8%). Trade woes were largely responsible for the rocky mid-quarter performance, as US President Trump increased tariffs from 10% to 25% on a total of USD 250 billion worth of Chinese exports. Trump also announced a 5% tariff on Mexico, but quickly backtracked on that. Later in the quarter President Trump met with outgoing UK Prime Minister May to discuss banning Huawei from 5G networks in Britain. UK Prime Minister May admitted she could not get a Brexit deal through parliament and the European Union granted May an extension on the Brexit deadline, pushing it out to 30 June. After offering multiple amendments to the Withdrawal Agreement, May was unable to get the deal done and stepped down as Prime Minister. Boris Johnson and Jeremy Hunt are now the front runners in the race to replace May, and work towards a new Brexit deadline of 31 October. Making headlines in Asia, the Hong Kong government's push to allow the extradition of those wanted by the Chinese authorities to mainland China saw mass demonstrations involving a reported two million people. Chinese President Xi Jinping also travelled to the G20 meeting in Osaka (Japan) to discuss trade issues with President Trump, while North Korean leader Kim Jong-Un sat down with the US President to discuss future relations between the two nations. Turning to Central Banks, the US Federal Reserve turned dovish with Chairman Jay Powell noting that "we made significant changes to our statement". In the UK, the Bank of England kept rates on hold while the European Central Bank hinted that rates will remain unchanged through 2020.

## Geographical Allocation



## Fund Commentary

The Fund returned 6.11% over the second quarter to outperform the benchmark by 90 basis points (bps). WCM (10.16%) was responsible for all the outperformance, beating the benchmark by a very significant margin of 495 bps over the quarter. While Davis (4.62%) and Royal London (3.40%) both had positive returns, they trailed the broader market. At the fund level, the best stock selection was in the Healthcare, Information Technology, Consumer Discretionary and Industrials sectors.

## 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	\$267.2m

## Compliance

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

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