

# NIKKO AM GLOBAL SHARES HEDGED STRATEGY

Applies to: Nikko AM Wholesale Global Shares Hedged Fund and the Nikko AM Global Shares Hedged Fund (retail)

## Market Overview

- Global equities pushed higher reversing May's sell off and are now approaching (and in some markets exceeding) all-time highs set in September 2018.
- The more cyclical sectors like Materials, Consumer Discretionary and Industrials outperformed the benchmark during the month. This was supported by IT, which is continuing to lead the market although not yet reaching previous highs achieved earlier in the year.

## Fund Highlights

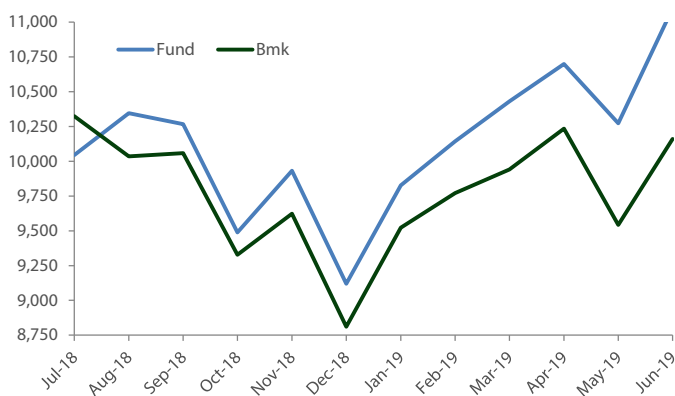
- The portfolio outperformed the index by 0.82% in June, rising 4.23% on a gross of fee basis over the month – compared with the MSCI AC World's rise of 3.41% (in NZD terms).
- Li Ning, Altran and Sony made the greatest positive contribution to performance.
- LivaNova, Sinopharm Group and Burford Capital 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>	8.03%	6.40%				
Benchmark <sup>2</sup>	6.48%	2.21%				
Retail <sup>3</sup>	6.55%					

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), 139% gross hedged to NZD. 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.<sup>1,2</sup>



## 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.

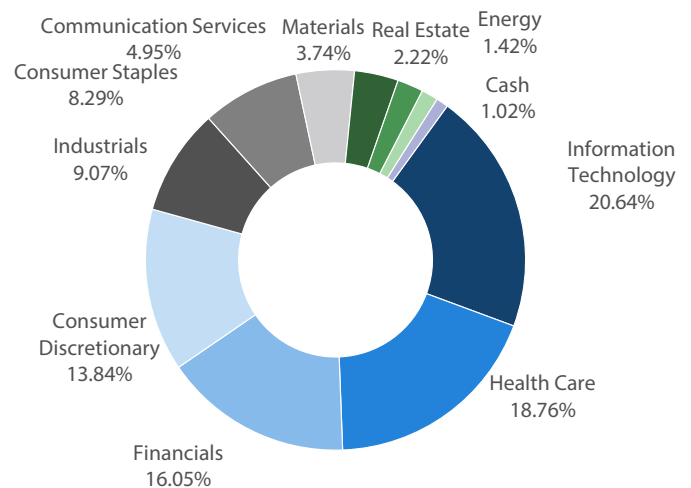
## Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth with currency exposure created as a consequence of global equity investment hedged to NZD.

## Objective

The fund aims to outperform the benchmark, gross hedged 139% to NZD return by 3% per annum before fees, expenses and taxes over a rolling three year period.

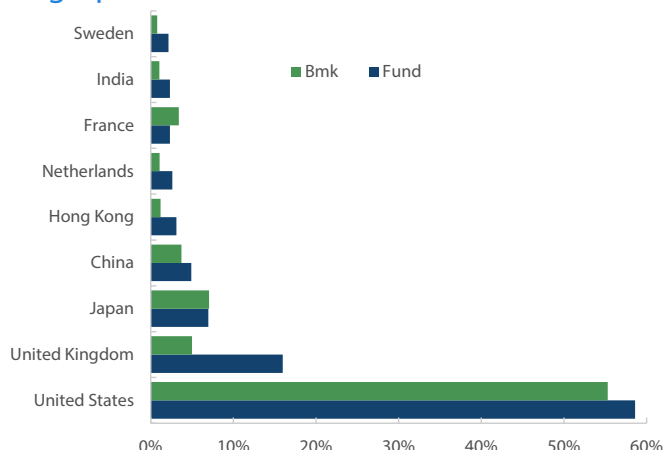
## Asset Allocation



## Top 10 Holdings

	Fund	MSCI	Country
Microsoft Corporation	4.87%	2.09%	US
Progressive Corporation	4.21%	0.10%	US
Amazon.com, Inc.	4.09%	1.69%	US
Unilever PLC	3.42%	0.15%	UK
TransUnion	3.36%	0.03%	US
AIA Group Limited	3.10%	0.28%	HK
LHC Group, Inc.	2.97%	0.00%	US
Anthem, Inc.	2.93%	0.15%	US
Accenture Plc Class A	2.79%	0.25%	US
Nintendo Co., Ltd.	2.78%	0.09%	JP

## Geographical Allocation



## Market Commentary

Amid increasing geopolitical tension it is difficult to feel comfortable with global equity markets near all-time highs and May's correction in markets suggested we were not alone. The correction proved temporary as evidenced by a strong bounce in markets in June, with the MSCI AC World index rising 3.41% (6.48% hedged to NZD). Global equities pushed higher reversing May's sell off and are now approaching (and in some markets exceeding) all-time highs set in September 2018. The driving force behind the rally is the dual beliefs that China and the US will not follow through with an all-out trade war and that global central banks are prepared to pump liquidity into the markets at the first suggestion of market data turning negative. The more cyclical sectors like Materials, Consumer Discretionary and Industrials outperformed the benchmark during the month. This was supported by IT, which is continuing to lead the market although not yet reaching previous highs achieved earlier in the year. Defensive sectors such as Utilities had performed well year-to-date and, along with Real Estate, appeared to be the primary source of funds for the continued bull market. A greater appetite for more cyclical sectors also coincided with the potential highs of the USD, a typical indicator of risk appetite across markets. This also coincided with stronger European and Asian markets. However, the US market continues to perform and has recently exceeded prior highs, illustrating that prior trends are not totally broken and a change in leadership is as yet unclear.

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

The portfolio outperformed the index by 0.82% in June, rising 4.23% on a gross of fee basis over the month – compared with the MSCI AC World's rise of 3.41% (in NZD terms). Positive contributors to performance included Li Ning, China's premier athletic wear retailer, announced a positive profit alert near the end of the quarter on the back of greater than 30% revenue growth and in particular growth in the e-commerce channel. Altran, the global leader in R&D consulting, received a cash bid from its bigger neighbour and leader in core IT consulting, Cap Gemini. The deal has the blessing of both management teams and was set at a 30% premium above the last three month's average. Sony received positive endorsement from the company's private equity investors, causing its shares to rise. Progressive and Microsoft also performed well. Negatives for the portfolio included Livanova, which fell 30% after a surprise profit warning, the company citing increased competition and staff turnover as contributors. The Chinese healthcare sector has been under pressure for some time as centralised procurement is reducing pricing significantly and Sinopharm has consequently suffered. The company was sold from the portfolio to fund a new position in Nintendo. Burford Capital who had been under pressure after its second largest investor, Woodford Capital, announced it was suspending redemptions in its funds, also underperformed.

## Key Fund Facts

### Distributions

Generally does not distribute  
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  
Retail\* 1.22%, refer to PDS for more details

### Buy / Sell spread: Strategy Launch Strategy size

0.07%/0.07% July 2018 \$74.0m

## Compliance

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

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