

# NIKKO AM GLOBAL EQUITY HEDGED STRATEGY

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

## Market Overview

- Markets paused for breath in July after a strong start to the year. Although the US Federal Reserve delivered the expected rate cut at the end of the month and quarterly reports have generally been reasonable, grounds for concern remained.
- At a sector level, this month's best performers were Information Technology and Communication Services. Communication Services benefitted from better than expected quarterly reports from index heavyweights Facebook and Google.

## Fund Highlights

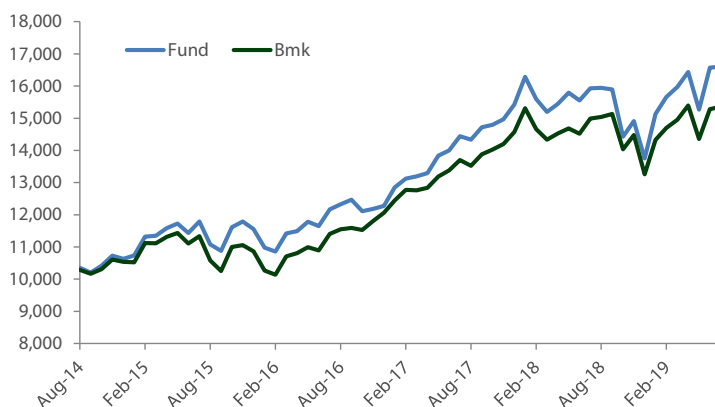
- The Fund returned a modest 0.22% over the month to trail the benchmark (on a hedged basis). Davis (3.38%) contributed the most in July, while WCM (1.55%) and Royal London (1.49%) both underperformed the benchmark.
- Each of the three underlying managers had at least one holding in the top five contributors to performance: New Oriental Education (Davis), Old Dominion Freight Line (Royal London), Taiwan Semiconductor (Royal London), Shopify (WCM) and Bandai Namco (Royal London). Together, these five holdings contributed about 79 bps to relative performance.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	0.22%	1.04%	4.24%	10.93%	10.68%	
Benchmark <sup>2</sup>	0.49%	-0.23%	2.46%	10.42%	8.96%	
Retail <sup>3</sup>	1.46%	0.96%	3.58%	10.10%	8.99%	

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.

## 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.

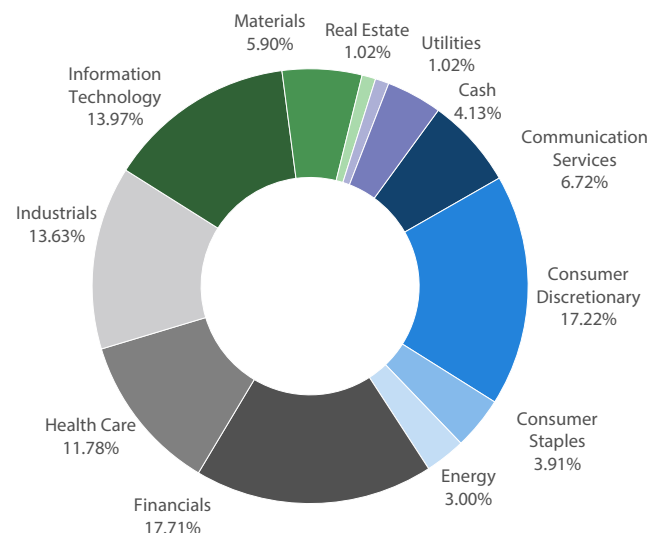
## Overview

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 gross hedged at 139% to NZD.

## 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	2.65%	0.57%	US
Amazon.com	2.48%	1.66%	US
Visa Inc	2.46%	0.66%	US
New Oriental Education	2.22%	0.03%	China
Taiwan Semiconductor	1.73%	0.00%	Taiwan
Shopify Inc	1.64%	0.07%	Canada
Alphabet Class C	1.63%	0.82%	US
Costco Wholesale	1.54%	0.26%	US
Microsoft	1.50%	2.12%	US
Capital One Financial Corp	1.49%	0.09%	US

Manager	Allocation (month)	Active Return (Month)
Davis Advisors	25.10%	1.32%
Royal London	35.87%	-0.57%
WCM	37.44%	-0.51%
Cash and Derivatives	1.60%	n/a

What helped	What Hurt (Month)	
New Oriental	OW	Illumina OW
Old Dominion	OW	Apple UW
Taiwan Semi-Conductor	OW	HDFC Bank OW

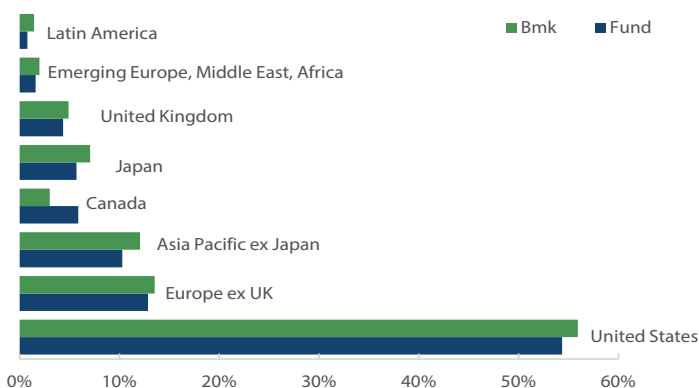
OW: overweight; UW: underweight; NH: no holding – month-end position

### Market Commentary

Markets paused for breath in July after a strong start to the year. Although the US Federal Reserve delivered the expected rate cut at the end of the month and quarterly reports have generally been reasonable, grounds for concern remained. Foremost among these remains the ongoing trade spat between the US and China. This month saw little concrete progress on that front.

Industrial confidence indicators have continued to drift lower, particularly in Europe. Germany’s IFO Business Expectations survey has continued to fall and June’s reading saw the index at levels not seen since the European debt crisis in 2012. The UK’s Conservative Party has elected Boris Johnson as its new leader and Prime Minister, heightening fears over a ‘hard Brexit’. Spain’s caretaker Prime Minister still cannot form an effective Government and Italy’s ruling coalition continues to be fractious. The US economy remains in relatively good shape, with high employment, good wage increases and strong consumer confidence. This relative firmness has also shown up in currency markets, with the USD well supported throughout July. At a sector level, the best performers were Information Technology and Communication Services. Communication Services benefitted from better than expected quarterly reports from index heavyweights Facebook and Google. This was partly true for Information Technology too, where Microsoft and Apple reported strong numbers. The worst performing sectors over the month were Materials and Energy. Oil prices have been very volatile this month. They received support from news of Iran impounding tankers in the Straits of Hormuz but this optimism faded as fears grew over the state of US / Chinese relations. Industrial metal prices have also struggled to make much ground in recent months against this backdrop of uncertainty. Trade fears shaped regional returns too. Hong Kong / Singapore was the worst performer (not helped by social unrest). Emerging Markets – Asia, Europe ex UK and the United Kingdom all also underperformed meaningfully this month.

### Geographical Allocation



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

The Fund returned a modest 0.22% over the month to trail the benchmark (NZD hedged). Davis (3.38%) did the heavy lifting in July, while WCM (1.55%) and Royal London (1.49%) both underperformed the benchmark. At the Fund level, each of the three underlying managers had at least one holding in the top five contributors to performance: New Oriental Education (Davis), Old Dominion Freight Line (Royal London), Taiwan Semiconductor (Royal London), Shopify (WCM) and Bandai Namco (Royal London). Together, these five holdings contributed about 79 bps to relative performance. Unfortunately, the top five detractors from performance contributed more or less an equal but opposite amount. None of the managers currently holds Apple, which jumped 10% in July, and this made it the second largest detractor from performance. Rounding out the top five detractors were Illumina (held by WCM), HDFC Bank (WCM), Anglo American (Royal London) and Suncor Energy (Royal London).

### Key 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%.

#### Estimated annual fund charges (Incl GST)

Wholesale: negotiated outside of the unit price

Retail: 1.43%, refer PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07% / 0.07%	October 2008	\$105.9m

### Compliance

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

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