

Factsheet 31 August 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

- Markets continued to trade lower in August as political wrangling gradually undermined investor confidence and global economic data softened. NZ dollar weakness supported valuations in NZD terms.
- At a sector level, this month's best performers were all traditional defensives, with Utilities, Real Estate, Consumer Staples and Healthcare all outperforming. High starting valuations were typically ignored as investors appeared willing to buy relative safety at any price.

Fund Highlights

- The fund returned 3.03% in August to outperform the benchmark return of 2.16% by 87 basis points (bps). For the 2019 calendar year-to-date, the fund's return is 26.22% which puts it 523 bps ahead of the benchmark return of 20.99%.
- WCM delivered most of the value added in August. Royal London had a more modest return but still outperformed, while Davis trailed the benchmark. At the Fund level, the top five contributors to performance were Shopify, New Oriental Education, Church & Dwight, Bandai Namco and West Pharmaceutical Services. Together, these five holdings contributed about 135 bps to relative performance.

Performance

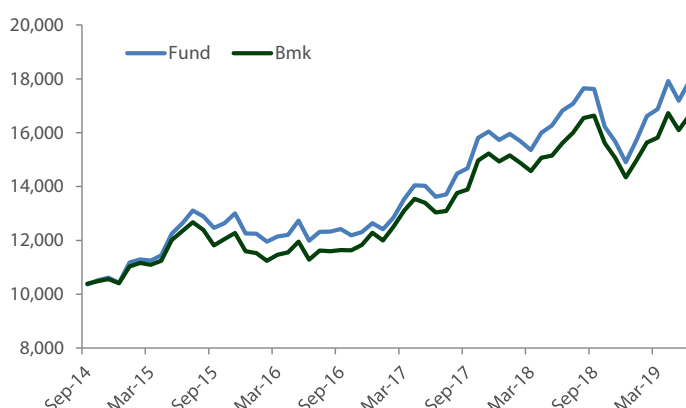
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	3.03%	9.47%	6.61%	15.15%	13.48%	
Benchmark ²	2.16%	7.82%	4.91%	14.39%	11.66%	
Retail ³	2.32%	7.74%	5.34%	13.62%	12.32%	

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^{1,2}



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.

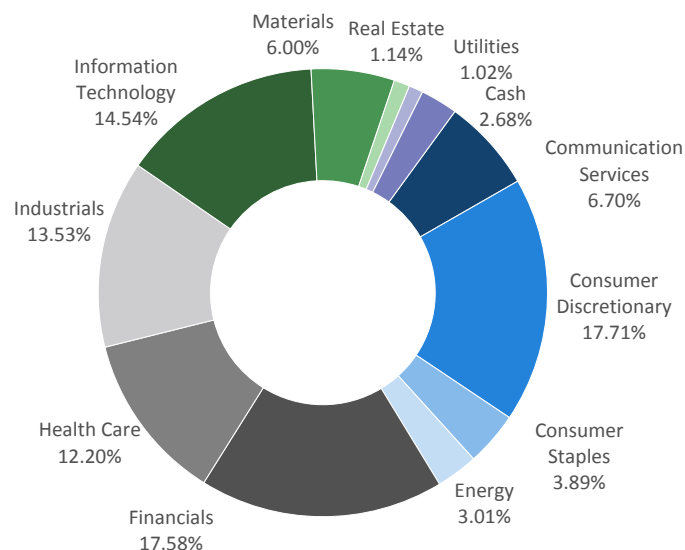
Overview

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
Visa Inc	2.92%	0.69%	US
Berkshire Hathaway	2.73%	0.58%	US
New Oriental Education	2.49%	0.04%	China
Amazon.com	2.45%	1.63%	US
Shopify Inc	2.04%	0.08%	Canada
Taiwan Semiconductor	1.80%	0.00%	Taiwan
Alphabet Inc, Class C	1.64%	0.81%	US
Microsoft	1.59%	2.20%	US
Suncor Energy	1.58%	0.10%	Canada
Safran	1.51%	0.10%	France

Manager	Allocation	Active Return (Month)
Davis Advisors	24.78%	-1.03%
Royal London	36.04%	-0.43%
WCM	38.40%	2.53%
Cash and Derivatives	0.78%	n/a

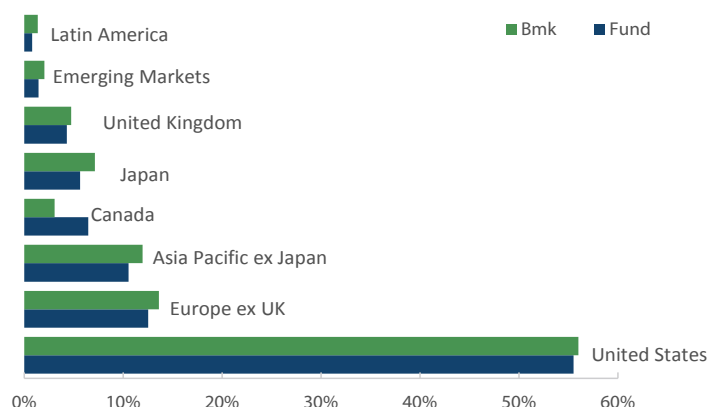
What helped	What Hurt (Month)
Shopify Inc	OW Ultra Beauty
New Oriental	OW Steel Dynamics
Church & Dwight	OW Apple
	NH

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

Market Commentary

Markets continued to trade lower in August as political wrangling gradually undermined investor confidence and global economic data softened. This was particularly marked at the start of the month as the trade war between China and the US heated up again. By the end of the month, however, markets appeared to be suggesting that the political news was so bad that it could not actually get any worse and hence markets stabilised. The US yield curve finally inverted in August after threatening to do so for some time, with yields on 10-year Treasuries undershooting those on shorter term debt. Although this has proven to be an accurate harbinger of US recessions in the past, there are significant differences between present economic conditions and past occasions. This is generally strong employment markets and low and falling interest rates. It is clear that economic data is deteriorating, even in the strongest parts of the global economy – namely the US. The worsening of economic conditions in the US's trading partners started earlier and has not shown much sign of improvement in recent times. In China, industrial production, retail sales and bank loan origination all undershot expectations last month. In China's case, these readings arguably represented a necessary slowdown from unsustainable levels. It is harder to take such a positive view on developments in Europe. Sector-wise, this month's best performers were all traditional defensives, with Utilities, Real Estate, Consumer Staples and Healthcare all outperforming. High starting valuations were typically ignored as investors appeared willing to buy relative safety at any price. The worst performing sectors this month were Energy and Financials. Materials also underperformed. Trade fears shaped regional returns too. Hong Kong / Singapore was amongst the worst performers in August (not helped by continued social unrest). The UK also underperformed this month due to continuing uncertainties over Brexit.

Geographical Allocation



Fund Commentary

The Fund returned 3.03% in August to outperform the benchmark return of 2.16% by 87 basis points (bps). For the 2019 calendar year-to-date, the Fund's return is 26.22% which puts it 523 bps ahead of the benchmark return of 20.99%. WCM (4.69%) delivered most of the value added in August. Royal London (2.59%) had a more modest return but still outperformed, while Davis (1.13%) trailed the benchmark. At the Fund level, the top five contributors to performance were Shopify, New Oriental Education, Church & Dwight, Bandai Namco and West Pharmaceutical Services. Together, these five holdings contributed about 135 bps to relative performance. The top five detractors from performance were Ultra Beauty, Steel Dynamics, Apple, Nestle and Quotient Technology with a combined contribution of -59 bps. The Fund has no exposure to Apple and Nestle – both outperformed in August.

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	\$274.3m

Compliance

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

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