

Factsheet 30 September 2019

NIKKO AM GLOBAL EQUITY UNHEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Equity Fund. The Nikko AM Global Equity Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- Global equity indices slowly edged upwards, as August's recession fears gave way to hope that the same central bankers and politicians that had caused the slowdown in economic data evident in recent months could now reverse it.
- Sector-wise, this month's best performers were by and large last month's worst performers, with Financials and Energy leading the way. Low starting valuation and economic sensitivity were very much the flavour of the month. The worst performing sectors this month were traditional defensives, Healthcare, Communication Services and Consumer Staples.

Fund Highlights

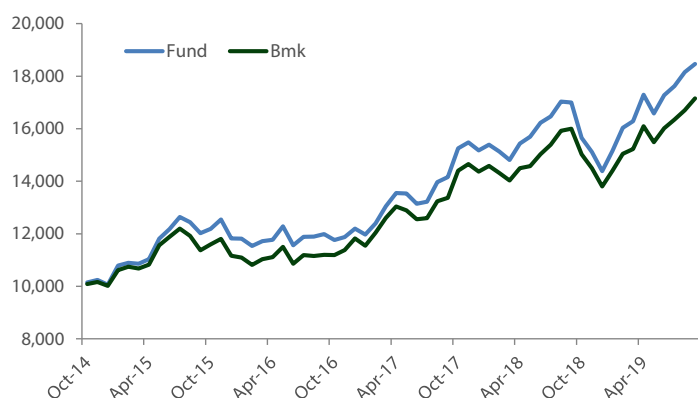
- The fund returned 6.88% in the third quarter to trail the benchmark return of 7.08% by 20 basis points (bps). There was quite a wide dispersion in returns of the underlying holdings, with the balance slightly in favour of holdings underperforming over the quarter.
- Stock selection in the Financials, Consumer Discretionary and Healthcare sectors was the major cause of the underperformance. Among the underlying managers, Davis (7.11%) matched the benchmark over the quarter, while Royal London (7.69%) outperformed by 61 bps. WCM (5.84%) had the worst relative return, as several of their high flying holdings sold off in September.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.72%	6.88%	8.62%	15.49%	13.05%	
Benchmark ²	2.70%	7.08%	7.18%	15.26%	11.40%	
Retail ³	0.76%	5.95%	6.14%	14.18%	11.51%	

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.

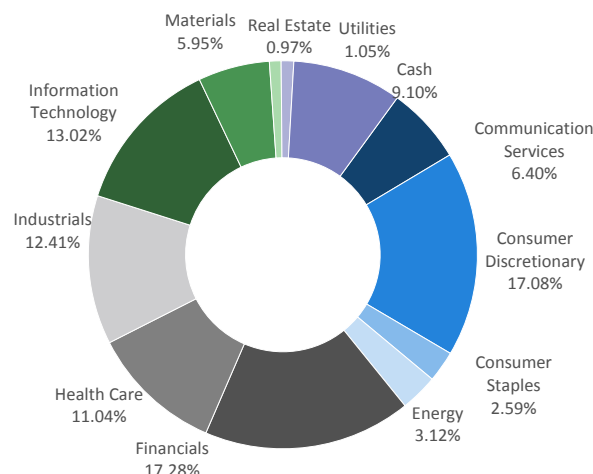
Overview

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	2.53%	0.64%	US
New Oriental Education	2.48%	0.03%	China
Berkshire Hathaway Inc	2.42%	0.58%	US
Amazon.com	2.35%	1.56%	US
Taiwan Semiconductor	1.78%	0.00%	Taiwan
Alphabet Inc, Class C	1.72%	0.82%	US
Suncor Energy	1.61%	0.11%	Canada
Wells Fargo & Co	1.46%	0.46%	US
Shopify Inc	1.42%	0.07%	Canada
Microsoft Corp	1.40%	2.17%	US

Manager	Allocation	Active Return (Qtr)
Davis Advisors	24.52%	0.03%
Royal London	34.86%	0.61%
WCM	33.88%	-1.24%
Cash and Derivatives	6.75%	0.61%

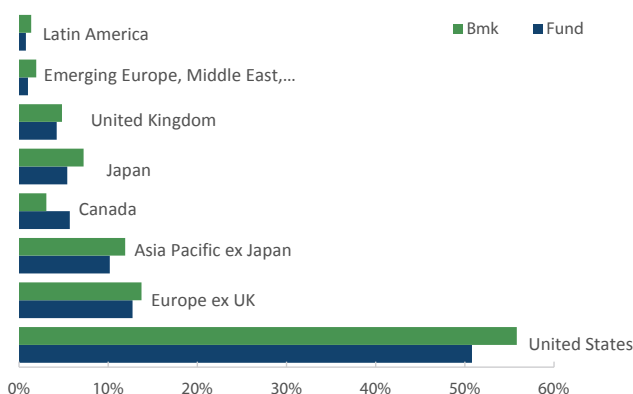
What helped	What Hurt (Qtr)	
New Oriental Education	OW Apple	UW
Taiwan Semiconductor	OW Metro Bank	OW
Bandai Namco	OW Ulta Beauty	OW

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

Market Commentary

Global equity indices slowly edged upwards, August's recession fears gave way to hope that the same central bankers and politicians that had caused the slowdown in economic data evident in recent months could now reverse it. Certainly the tone of Central Bankers (including the outgoing head of the ECB, Mario Draghi) remained generally dovish in September, with the ECB restarting its bond buying programme. This could lead to the issuance of Eurobonds to finance large scale infrastructure investment. Part of the reason for the renewed need for monetary support is the uncertainty caused by political instability. Last month saw this instability become even more pronounced. After a 'whistle-blower' revealed details of a phone call between President Trump and his Ukrainian counterpart, impeachment proceedings were initiated by the Democrats. The UK's attempt to leave the European Union became even more complicated, with Prime Minister Boris Johnson ruled to have acted unlawfully in temporarily suspending Parliament. Little wonder then that confidence levels have continued to fall and spending has softened. Sector-wise, this month's best performers were by and large last month's worst performers, with Financials and Energy leading the way. Low starting valuation and economic sensitivity were very much the flavour of the month. The worst performing sectors this month were traditional defensives - Healthcare, Communication Services and Consumer Staples. Japan outperformed this month as the Yen depreciated, with trade tensions perhaps easing a little. The UK also outperformed, despite the political uncertainty noted above. The US marginally underperformed in September, as did most Emerging Markets – most likely due to the resilience of the USD.

Geographical Allocation



Fund Commentary

The fund returned 6.88% in the third quarter to trail the benchmark return of 7.08% by 20 basis points (bps). There was quite a wide dispersion in returns of the underlying holdings, with the balance slightly in favour of holdings underperforming over the quarter. Stock selection in the Financials, Consumer Discretionary and Healthcare sectors was the major cause of the underperformance. With the exception of Sul America (22%), Wells Fargo (12%) and Chubb Limited (15%), the majority of Financials disappointed. The worst performers included Metro Bank (-62%), HDFC Bank (-8.5%) and AIA Group (-8.5%). Consumer Discretionary was hurt the most by Ulta Beauty (-25%) while Mettler-Toledo (-13%) and Illumina (-14%) detracted the most value in the Healthcare sector. Adding value though were a number of holdings in the Industrials, Information Technology and Materials sectors. The top performers included holdings such as Old Dominion Freight Line (22%), Taiwan Semiconductor (28%), Sherwin-Williams (29%), New Oriental Education (23%) and Bandai Namco (38%). Among the underlying managers, Davis (7.11%) matched the benchmark over the quarter, while Royal London (7.69%) outperformed by 61 bps. WCM (5.84%) had the worst relative return, as several of their high flying holdings sold off in September. However they've had an extremely good year so far, and despite the softer third quarter, for the year-to-date WCM's return of 35.17% is still 1091 bps better than the benchmark's return.

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	\$267.6m

Compliance

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

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