

NIKKO AM GLOBAL SHARES UNHEDGED STRATEGY

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

Market Overview

- Global equity indices have continued to struggle to make any ground in Q3, exiting September exactly where they were at the end of June. Uncertainty regarding the eventual outcome of global trade talks has plagued markets. Regional issues like the initiation of impeachment proceedings against President Trump, Brexit or the ongoing unrest in Hong Kong have done little to help.
- Most of this quarter's best performing sectors were those that traditionally offer more defensive growth – Utilities, Consumer Staples and Real Estate. The worst performers were, by contrast, all cyclicals. Energy was particularly weak despite the intra-quarter spike in oil prices, Materials also underperformed on renewed fears over global economic growth. Healthcare underperformed in Q3 as noise on potential reforms heated up, ahead of next year's US Presidential election.

Fund Highlights

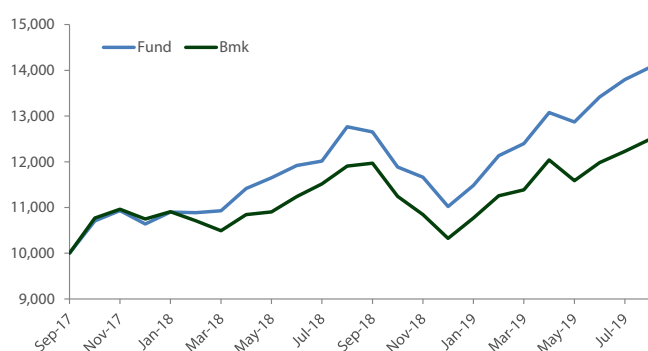
- The portfolio underperformed its benchmark by 1.42% this quarter, with a return of 5.66% on a gross basis against the MSCI ACWI return of 7.08% (in NZD terms).
- Li Ning, Transunion and Rentokil made the greatest positive contribution to performance over the quarter.
- Burford Capital, Anthem, AIA & Prudential 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 ¹ | 0.75% | 5.66% | 12.02% | | | |
| Benchmark ² | 2.70% | 7.08% | 7.18% | | | |
| Retail ³ | -0.10% | 4.45% | 9.50% | | | |
| KiwiSaver ³ | -0.01% | 4.90% | 11.01% | | | |

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.

Since Inception Cumulative Performance (gross), \$10,000 invested.^{1,2}



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.

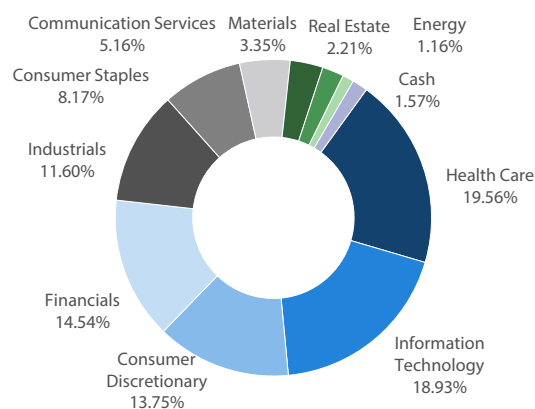
Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth.

Objective

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

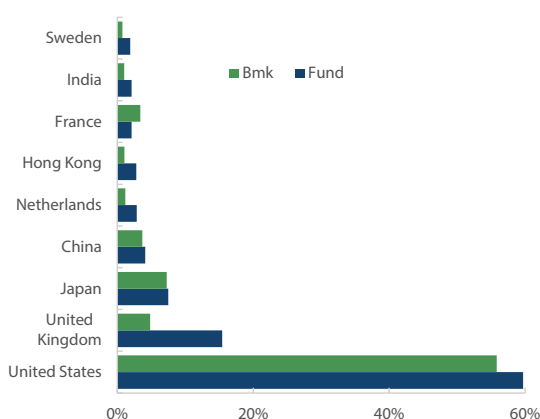
Asset Allocation



Top 10 Holdings

| | Fund | MSCI | Country |
|--------------------------|------|------|---------|
| Microsoft Corporation | 5.15 | 2.17 | US |
| Progressive Corporation | 4.15 | 0.10 | US |
| Amazon.com, Inc. | 3.82 | 1.56 | US |
| TransUnion | 3.78 | 0.03 | US |
| Unilever PLC | 3.37 | 0.14 | UK |
| Nintendo Co., Ltd. | 3.10 | 0.09 | JP |
| Accenture Plc Class A | 2.96 | 0.26 | US |
| LHC Group, Inc. | 2.87 | 0.00 | US |
| Koninklijke Philips N.V. | 2.85 | 0.09 | NL |
| Sony Corporation | 2.83 | 0.16 | JP |

Geographical Allocation



Market Commentary

Global equity indices have continued to struggle to make any ground in Q3, exiting September exactly where they were at the end of June. Uncertainty regarding the eventual outcome of global trade talks has plagued markets. Regional issues like the initiation of impeachment proceedings against President Trump, Brexit or the ongoing unrest in Hong Kong have done little to help. Although August saw these concerns reflected in an inverted US yield curve and fear of a US recession increase, the quarter ended on a slightly more positive tone. As ever, this positivity was driven by hopes over yet more monetary support from Central Banks around the world – in the form of rate cuts in the US and China as well as renewed quantitative easing from the ECB. Most of this quarter’s best performing sectors were those that traditionally offer more defensive growth – Utilities, Consumer Staples and Real Estate. The Information Technology sector has also continued to do well suggesting a continued interest in growth. The worst performers were, by contrast, all cyclical. Energy was particularly weak despite the intra-quarter spike in oil prices caused by a drone attack on Saudi Arabia’s oil infrastructure. Materials also underperformed on renewed fears over global economic growth. Despite the ongoing bid for defensives, Healthcare underperformed in Q3 as noise on potential reforms heated up, ahead of next year’s US Presidential election. Regionally, Japan and the US led the way. Although it has softened, US economic data has generally remained firmer than its trading partners’. The USD has held onto its gains relative to other currencies as a result – damaging sentiment towards Emerging Markets.

Fund Commentary

The portfolio underperformed its benchmark by 1.42% this quarter, with a return of 5.66% on a gross basis against the MSCI ACWI return of 7.08% (in NZD terms). Holdings with a notable impact on returns included the following: Li Ning continued its exceptional performance in Q3 as the company released another strong trading update in August. The highlights were 33% revenue growth, ongoing profit margin expansion and a reduction in working capital. Transunion benefitted from quarterly numbers that showed a marked acceleration in organic growth at its US Information Services business. Rentokil also benefitted from better than expected quarterly numbers. Organic revenue growth for their pest control and hygiene businesses outstripped long-term group level targets and profit margins continued to expand nicely, particularly in the US. Negative contributors for the quarter included Burford Capital which suffered after a report by a short seller was released, criticising its approach to calculating returns and questioning their solvency. Anthem fell on continued concerns over the potential impact of Bernie Sanders’ push for ‘Medicare for All’. These fears increased when Elizabeth Warren also stated her support for the policy and her polling began to be approved. If enacted, this would make the commercial insurance market irrelevant and threaten some of Anthem’s more profitable insurance business. AIA and Prudential suffered from deteriorating sentiment towards financials, as economic confidence weakened. In both cases, this negativity was exacerbated by concerns over the health of the Chinese economy in the face of rising tension with the US.

Key Fund 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: 1.22%, refer PDS for more details
 Kiwisaver: 1.17%, refer PDS for more details.

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.

Buy / Sell Spread

0.07%/0.07%

Strategy Launch

July 2017

Strategy size

\$153.5m

Compliance

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

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