

Factsheet 31 October 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 continued to edge higher in October, fuelled by the anticipation that a trade deal was imminent between the US and China.
- October has seen the start of the latest quarterly corporate earnings reports. At a macro level, these have generally been in-line with or slightly ahead of expectations.
- Sector-wise, this month's best performers were Healthcare and Information Technology. The worst performing sector this month was Energy, as investors reacted to news of rising US crude inventories. Traditional defensives like Utilities and Consumer Staples also underperformed as investors took profits in strong performers earlier in the year.

Fund Highlights

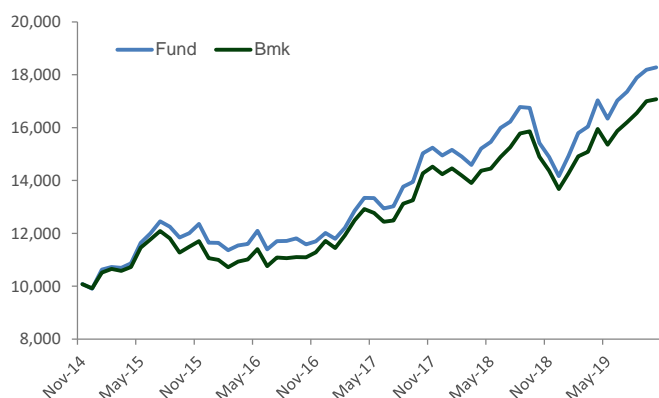
- The fund returned 0.46% in line with benchmark (in NZD terms).
- Most of the value added came from asset allocation, especially the underweights to Consumer Staples, Energy and Utilities which all underperformed. Stock selection was mixed – holdings in the Healthcare and Energy sectors generally underperformed, but names in the Industrials, Materials and Financials sectors added value. Among the three underlying managers, WCM trailed the benchmark return by 196 bps, while Davis (+150 bps) and Royal London (+68 bps) both outperformed.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	0.46%	5.29%	18.50%	16.41%	12.82%	
Benchmark ²	0.45%	5.40%	14.65%	15.47%	11.30%	
Retail ³	2.45%	5.62%	20.73%	15.55%	12.29%	

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.

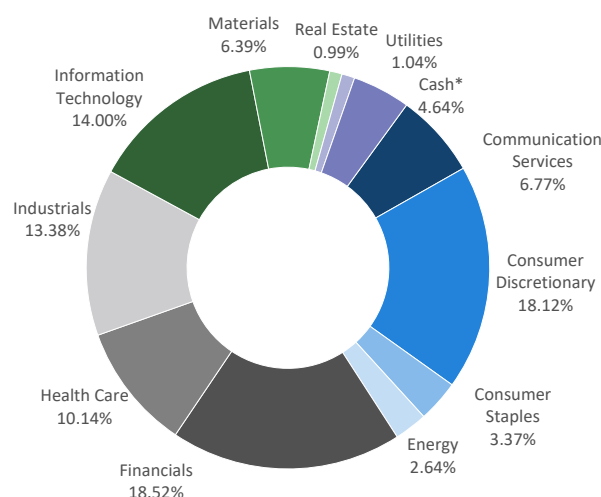
Overview

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
New Oriental Education	2.82%	0.04%	China
Visa Inc	2.70%	0.65%	US
Berkshire Hathaway Inc	2.55%	0.58%	US
Amazon.com	2.47%	1.55%	US
Taiwan Semiconductor	2.04%	0.50%	Taiwan
Alphabet Inc, Class C	1.83%	0.83%	US
AIA Group Ltd	1.64%	0.25%	Hong Kong
Ferguson plc	1.61%	0.04%	UK
Suncor Energy Inc	1.56%	0.10%	Canada
Wells Fargo & Co	1.54%	0.46%	US

Manager	Allocation	Active Return (Qtr)
Royal London	37.09%	0.68%
Davis	26.30%	1.51%
WCM	35.11%	-1.96%
Cash & Derivatives	1.50%	-2.67%

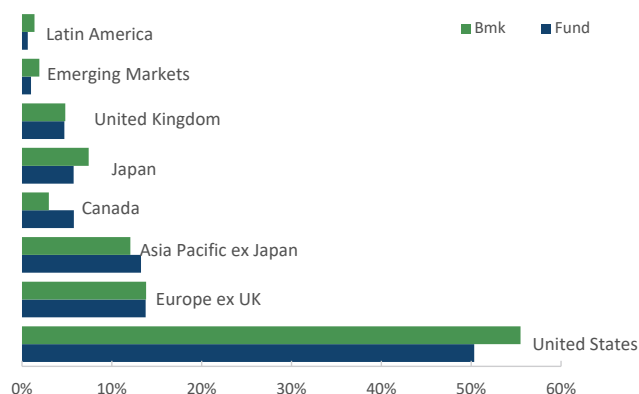
What helped	What Hurt (Qtr)
Ferguson plc	OW Suncor Energy OW
New Oriental Education	OW Apple Inc UW
Daimler AG	OW Verisk Analytics OW

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

Market Commentary

Global equity indices continued to edge higher in October, fuelled by the anticipation that a trade deal was imminent between the US and China. Although the timing remains unclear at this stage, it looks like politicians have decided that it is probably not a good idea to stand for re-election in the coming months against a backdrop of falling investment confidence and stock markets. The US Federal Reserve delivered its expected interest rate cut this month. The UK and the EU reached an agreement on the terms of a Withdrawal Agreement - necessary before the UK can leave the EU and begin negotiating a long-term trade deal. Although the UK parliament failed to ratify these terms by the scheduled October 31 deadline (and have now declared a General Election, in the hope of doing so at a later date), this progress was gratefully received by investors in Sterling. October has seen the start of the latest quarterly corporate earnings reports. At a macro level, these have generally been in-line with or slightly ahead of expectations. Sector-wise, this month's best performers were Healthcare and Information Technology. Healthcare earnings have been strong and sentiment was helped by a growing sense that US voters were less willing to support further, radical restructuring of the industry so soon after the advent of Obamacare. Tech was led higher by semiconductors, helped by increased optimism regarding demand from 5G implementation & on global trade. The worst performing sector this month was Energy, as investors reacted to news of rising US crude inventories. Traditional defensives like Utilities and Consumer Staples also underperformed as investors took profits in strong performers earlier in the year.

Geographical Allocation



Fund Commentary

The fund returned 0.46% in October, in line with the benchmark. Most of the value added came from asset allocation, especially the underweights to Consumer Staples, Energy and Utilities which all underperformed. Stock selection was mixed – holdings in the Healthcare and Energy sectors generally underperformed, but names in the Industrials, Materials and Financials sectors added value. Among the three underlying managers, WCM trailed the benchmark return by 196 bps, while Davis (150 bps) and Royal London (68 bps) both outperformed. The detraction from stock selection in the Healthcare sector is largely attributable to WCM, which owns mostly medical devices names. Among its main underperformers in October were Steris plc, Illumina, Cooper Companies and Stryker Corp. Most holdings in the Energy sector declined, with the Fund's largest holding in that sector, Suncor (held by Royal London) detracting about 10 bps. The Fund's exposures in the Industrials sector generally had a very good month, with heating and plumbing business Ferguson plc (held by Davis) gaining 16% in October. In the Materials sector, Royal London's exposure to Reliance Steel & Aluminum and Anglo American added the most value in that sector. While WCM's stock selection was generally poor across all sectors in October, the exception was the Financials sector where their exposures to First Republic Bank, HDFC Bank and AIA Group all outperformed. The Fund's top contributor to relative performance in October was Taiwan Semiconductor (held by both WCM and Royal London). For the 2019 calendar year-to-date, the Fund's return is 28.98% which puts it 416 bps ahead of the Benchmark return of 24.82%.

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	\$259.9m

Compliance

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

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