

Factsheet 30 November 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 rally in November, supported by increasing confidence regarding an imminent trade deal between the US and China. This was despite the fact that both sides were once again swapping hostile remarks by month end - this time mostly concerning the ongoing democracy protests in Hong Kong.
- At a sector level, this month's best performers were the same as October's - Information Technology and Healthcare. Worst performing sectors this month were Utilities and Real Estate, as investors rotated out of the most defensive parts of the market, with fears over imminent recession diminished by recent Central Bank policy.

Fund Highlights

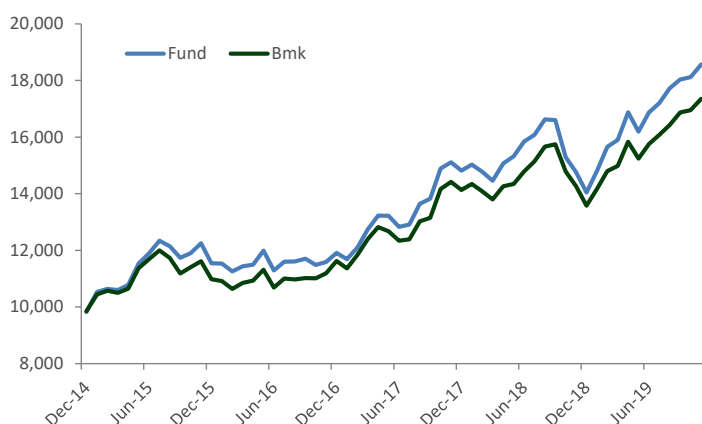
- The fund returned 2.46% in November, to outperform the benchmark return by 11 basis points (bps). Davis was the stand out with a return of 3.14%, while WCM (2.25%) and Royal London (2.28%) were both marginally behind the benchmark. All three managers had mixed success with stock selection over the month.
- At the fund level, the top contributors to performance were Steel Dynamics, Ansys, Alibaba, Mercadolibre and Shopify. The main detractors from performance were Centerpoint Energy, New Oriental Education, Compass Group and Daimler AG.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.46%	4.70%	25.75%	16.97%	13.16%	
Benchmark ²	2.35%	5.58%	21.65%	15.71%	11.65%	
Retail ³	1.98%	5.27%	25.37%	16.14%	12.11%	

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.

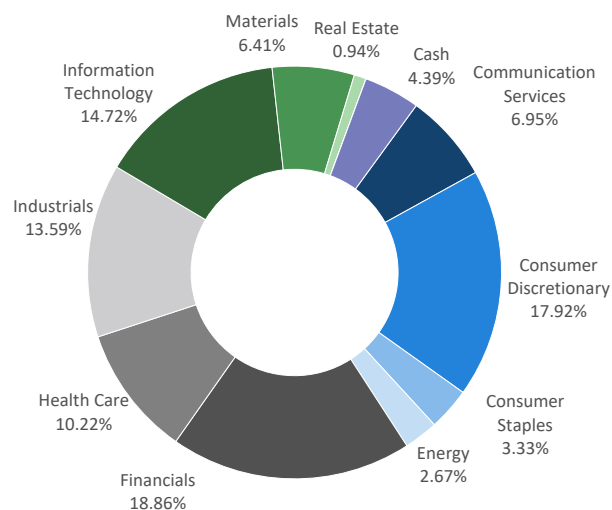
Overview

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	2.76%	0.04%	China
Visa Inc	2.75%	0.65%	US
Berkshire Hathaway Inc	2.60%	0.59%	US
Amazon.com	2.48%	1.54%	US
Taiwan Semiconductor	2.26%	0.00%	Taiwan
Alphabet Inc, Class C	1.87%	0.83%	US
AIA Group Ltd	1.62%	0.25%	Hong Kong
Ferguson plc	1.62%	0.04%	UK
Suncor Energy Inc	1.61%	0.10%	Canada
Wells Fargo & Co.	1.60%	0.46%	US

Manager	Allocation	Active Return
Royal London	37.24%	-0.07%
Davis	26.56%	0.79%
WCM	35.22%	-0.10%
Cash & Derivatives	0.98%	-2.29%

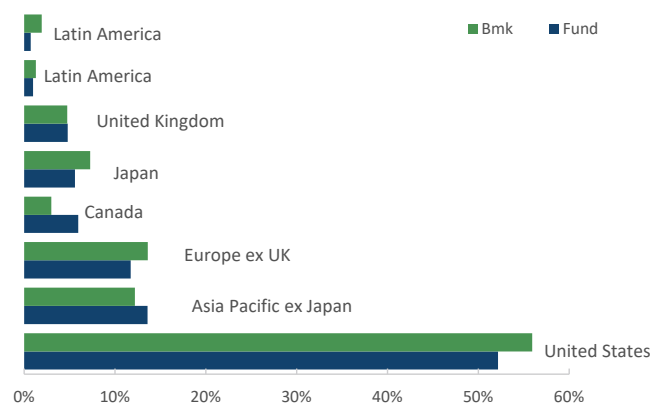
What helped	What Hurt
Steel Dynamics	OW Centerpoint Energy OW
Ansys Inc	OW Apple Inc UW
Alibaba Group	OW New Oriental Education OW

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

Market Commentary

Global equity indices continued to rally in November, supported by increasing confidence regarding an imminent trade deal between the US and China. This was despite the fact that both sides were once again swapping hostile remarks by month end - this time mostly concerning the ongoing democracy protests in Hong Kong. The feeling remains that there is enough at stake for both sides for them to not engage in any further escalation of existing measures, at the very least. If so, a lack of further bad news would likely be enough to allow a recovery in corporate investment. With consumers still in relatively buoyant mood, a recovery in corporate confidence should allow a return to levels of economic growth seen before the trade war heated up earlier in the year. The UK continues the run up to its first winter General Election in decades as the current Conservative Government attempts to secure a working majority at Westminster and end the years of impasse over Brexit. Opinion polls may have a chequered history in terms of accurately gauging the outcome of these events (including the Brexit referendum, where most were wrong) but most tests of public opinion support the view that the Conservatives will win. The potential removal of this overhang has been enough to see Sterling continue to rally against other currencies this month. At a sector level Information Technology and Healthcare were the best performers. Healthcare was strong despite rising confidence in the economic cycle. However, the driver of this likely remains political, rather than an economic factor. The worst performing sectors this month were Utilities and Real Estate, as investors rotated out of the most defensive parts of the market, with fears over imminent recession diminished by recent Central Bank policy. The US was the best performing region in November, likely helped by its strong representation in the sectors that were leading the market.

Geographical Allocation



Fund Commentary

The fund returned 2.46% in November, to outperform the benchmark return by 11 basis points (bps). Davis was the stand out with a return of 3.14%, while WCM (2.25%) and Royal London (2.28%) were both marginally behind the benchmark. All three managers had mixed success with stock selection over the month. At the fund level, the top contributors to performance were Steel Dynamics, Ansys, Alibaba, Mercadolibre and Shopify. Most of those gained more than 10% in November. Another solid performer was TJX Companies, whose format continues to enjoy broad appeal to consumers of all ages and they also enjoy very strong relationships with brand owners and are keen to clear obsolete inventories. These strengths and measured international expansion should support growth for longer than the current valuation suggests, despite the ongoing competition from Amazon. The main detractors from performance were Centerpoint Energy, New Oriental Education, Compass Group and Daimler AG. Not holding Apple, which gained 7.6%, also had a negative impact on performance. UK-based food catering business, Compass Group, fell 6% after guiding for weaker than expected profit margins in 2020 due to economic weakness in Europe. Growth in North America (more than 60% of Compass), remains very robust and management says the pipeline of new business opportunities there is "as buoyant as it's ever been".

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	\$262.2m

Compliance

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

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