

# NIKKO AM GLOBAL SHARES HEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Shares Hedged Fund. The Nikko AM Global Shares Hedged 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

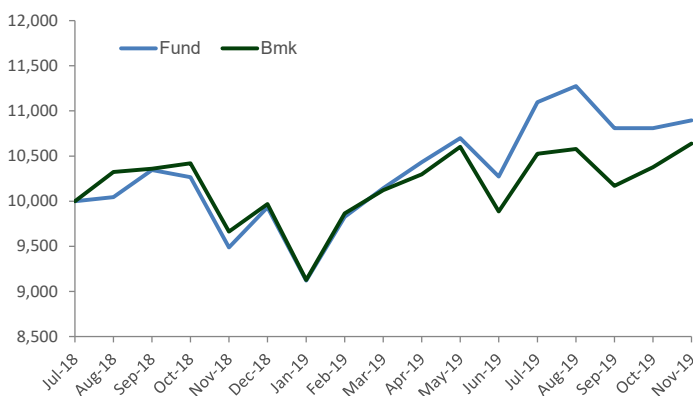
- The portfolio outperformed its benchmark over November (hedged to NZD).
- LHC Group, Liva Nova and Adobe made the greatest positive contribution to performance over the month.
- Compass Group, Li Ning and Johnson Matthey were negative contributors to performance.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	4.16%	5.00%	14.26%			
Benchmark <sup>2</sup>	3.00%	7.75%	9.93%			
Retail <sup>3</sup>	4.71%	5.50%				

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), 139% gross hedged to NZD. 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.<sup>1,2</sup>



## 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.

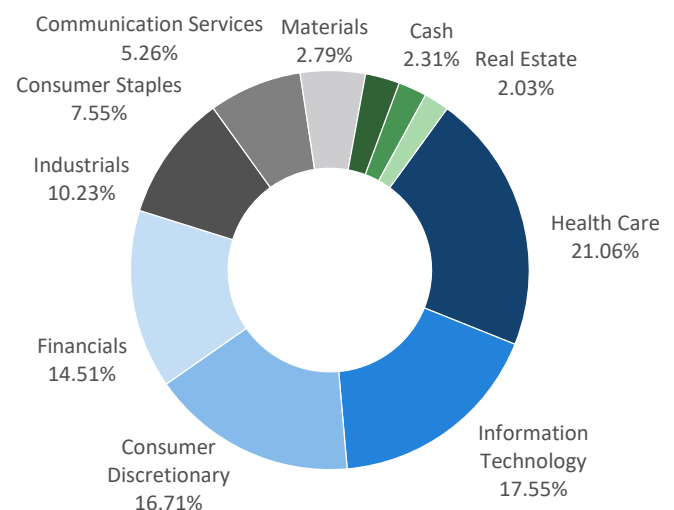
## Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth with currency exposure created as a consequence of global equity investment hedged to NZD.

## Objective

The fund aims to outperform the benchmark, gross hedged 139% to NZD return by 3% per annum before fees, expenses and taxes over a rolling three year period.

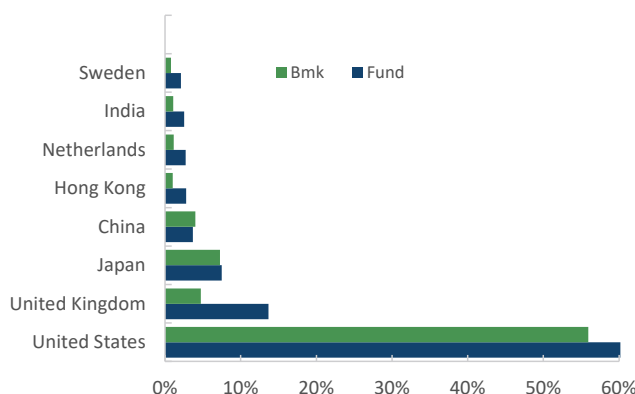
## Asset Allocation



## Top 10 Holdings

	Fund	MSCI	Country
Microsoft Corporation	5.32	2.23	US
TransUnion	3.97	0.03	US
Amazon.com, Inc.	3.76	1.54	US
Progressive Corporation	3.72	0.09	US
LHC Group, Inc.	3.41	0.00	US
Unilever PLC	3.15	0.13	UK
Anthem, Inc.	3.11	0.15	US
Accenture Plc Class A	3.09	0.26	US
Nintendo Co., Ltd.	3.05	0.09	JP
Adobe Inc.	2.88	0.31	US

## Geographical Allocation



## 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. Bond yields have also continued to climb in Germany, though they remain well in negative territory, suggesting some residual disquiet in Europe’s largest economy. Politics have become a bit less predictable in Germany in recent months. After 14 years in Government, the political foundations of the coalition of parties led by Angela Merkel continue to look increasingly shaky. 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, this month’s best performers were the same as October’s - Information Technology and Healthcare. 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. Most of the other major regions marginally underperformed the benchmark, including Europe, Japan and GEM-Asia.

## Fund Commentary (all return percentages expressed as unhedged NZD unless otherwise stated)

The portfolio outperformed its benchmark by 1.16%. Holdings with a notable impact on returns included **LHC Group** whose shares rose 11% at the start of the month after the Centres for Medicare and Medicaid Services (CMS) in the US announced 2020 reimbursement terms for home healthcare providers like LHC. **LiveNova** recovered from the weakness seen after their results at the end of October. Improved sector sentiment definitely contributed to this. **Adobe** climbed on reassuring guidance for 2020, citing an expanding addressable market for newly developed products. Negative performers included **Compass Group** which suffered after guiding for weaker than expected profit margins in 2020, as economic weakness in Europe weighs on employment numbers in industries such as manufacturing, financial services and automotive. **Li Ning** succumbed to some mild profit taking after an extremely strong run. **Johnson Matthey** fell after announcing their H1 results. Although profits were in line with expectations, they announced much weaker than expected cash flow generation after a big build up in working capital (triggered by the impact of precious metal price inflation and a planned refinery shut-down).

## Key Fund Facts

### Distributions

Generally does not distribute  
Any foreign currency exposure is gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

### 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.

### Estimated annual fund charges

Wholesale: negotiated outside of the unit price  
Retail 1.22%, refer to PDS for more details

### Buy / Sell spread: Strategy Launch Strategy size

0.07%/0.07% July 2018 \$86.7m

## Compliance

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

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