

Factsheet 31 December 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 finished the year strongly, adding almost 9% (USD) in Q4. However returns for domestic investors were more muted as the NZ dollar appreciated more than 7% against the US dollar over the quarter.
- The strongest performance came from information technology and healthcare. The worst performers this quarter were mostly defensives. Utilities, consumer staples and real estate all underperformed significantly.

Fund Highlights

- The fund returned 1.70% in the fourth quarter to outperform the Benchmark return of 1.26% by 44 basis points (bps).
- Davis contributed the lion's share of the outperformance, while Royal London (19 bps) played a lesser role.
- Among individual holdings, the top contributors to relative performance were Taiwan Semiconductor, Shopify (18%) and Ferguson plc. Nil exposure to Boeing, Home Depot and Nestle added further value. The fund's major detractor from performance were overweights to Centerpoint Energy, Safran and Church & Dwight. Nil exposure to the world's largest publicly-listed company, Apple, also detracted as the stock soared 22% over the quarter.

Performance

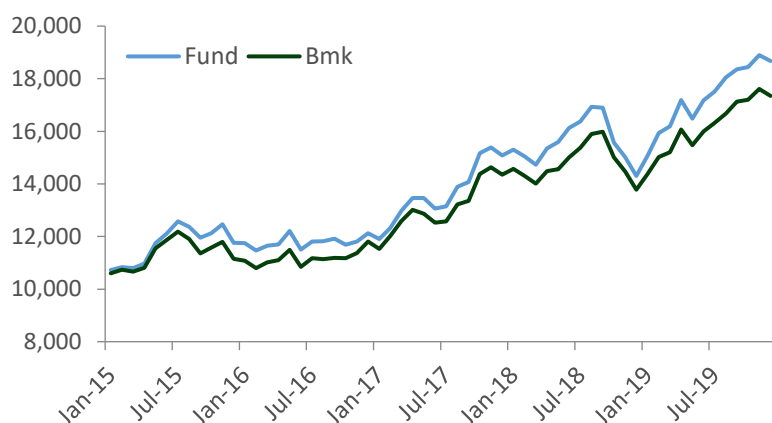
| | One month | Three months | One year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale ¹ | -1.19% | 1.70% | 30.58% | 15.48% | 13.30% | |
| Benchmark ² | -1.50% | 1.26% | 25.83% | 13.69% | 11.65% | |
| Retail ³ | -1.98% | 2.41% | 29.56% | 14.16% | 12.07% | |

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.

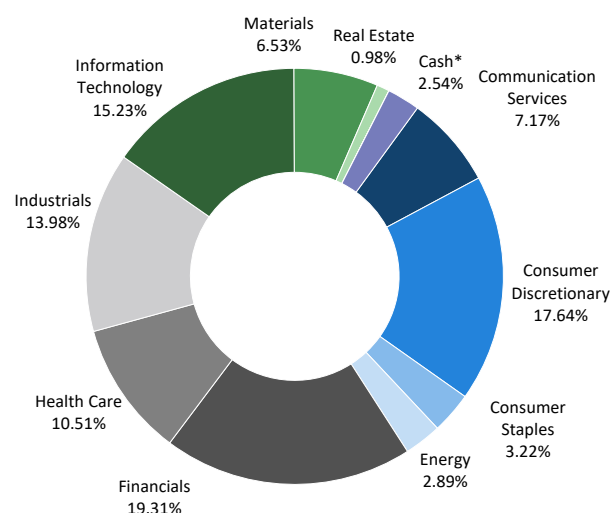
Overview

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 | 2.74% | 0.64% | US |
| Berkshire Hathaway Inc, Class B | 2.62% | 0.59% | US |
| New Oriental Education | 2.55% | 0.03% | China |
| Amazon.com | 2.49% | 1.53% | US |
| Taiwan Semiconductor | 2.42% | 0.00% | Taiwan |
| Shopify Inc | 1.80% | 0.08% | Canada |
| Alphabet Inc, Class C | 1.72% | 0.82% | US |
| Suncor Energy | 1.66% | 0.10% | Canada |
| AIA Group Ltd | 1.66% | 0.25% | Hong Kong |
| Ferguson plc | 1.65% | 0.04% | UK |

| Manager | Allocation | Active Return |
|--------------------|------------|---------------|
| Royal London | 37.11% | 0.19% |
| Davis | 26.84% | 3.89% |
| WCM | 35.32% | -1.80% |
| Cash & Derivatives | 0.73% | -7.53% |

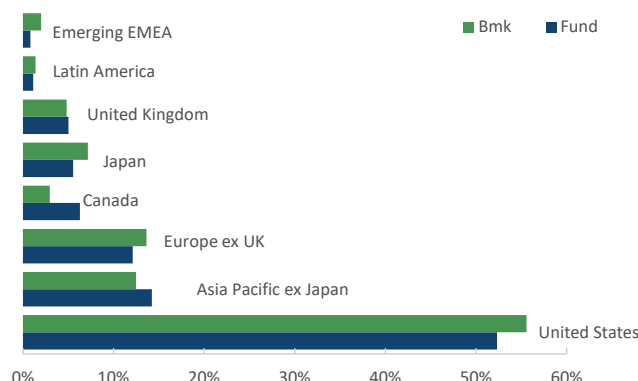
| What helped | What Hurt |
|----------------------|--------------------------|
| Taiwan Semiconductor | OW Apple Inc UW |
| Shopify | OW Centerpoint Energy OW |
| Ferguson plc | OW Safran OW |

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

Market Commentary

Global equity indices finished the year strongly, adding almost 9% (USD) in Q4. However returns for domestic investors were more muted at 1.26% (NZD) as the NZ dollar appreciated more than 7% against the US dollar over the quarter. Despite a volatile 2019, the NZ dollar ended the year at 0.674 – almost the same level as where it started 12 months ago. Central banks around the world responded to softening economic data in Q4 by turning the liquidity taps back on. Political risks also eased somewhat, as the US and China apparently reached agreement over the terms of Phase 1 of a trade deal. Although less important, the long drawn out saga of Brexit also looks like it may start moving towards a solution, after December's General Election in the UK. The quarter has seen a diminishing bid for safety as a result. Bond yields have increased somewhat (although they remain at exceptionally low levels by historical standards) and the USD has depreciated too. Although financials outperformed slightly in aggregate (banks more than insurance), the strongest performance came from information technology and healthcare. Technology benefitted from increased demand for certain cyclicals (like semiconductors, where 5G is improving sentiment) and renewed strong performance from parts of the FAANG cohort of stocks. Healthcare outperformed despite the bid for cyclical as US political risk was seen as falling, with Elizabeth Warren losing momentum in polling. The worst performers this quarter were mostly defensives. Utilities, consumer staples and real estate all underperformed significantly. Energy also underperformed over the period.

Geographical Allocation



Fund Commentary

The Fund returned 1.70% in the fourth quarter to outperform the Benchmark return of 1.26% by 44 basis points (bps). Davis (389 bps) contributed the lion's share of the outperformance, while Royal London (19 bps) played a lesser role. Sector-wise, the Fund's underweight to the defensive consumer staples, utilities and real estate sectors added significant value, as they underperformed. Stock selection was strongest in the industrials, financials and information technology sectors. The largest detractor from performance was stock selection in the healthcare sector, through overweights to Stryker and Alcon which both declined 10% over the quarter. Among individual holdings, the top contributors to relative performance were Taiwan Semiconductor (17%), Shopify (18%) and Ferguson plc (17%) which added a combined 40 bps. Nil exposure to Boeing (-20%), Home Depot (-12%) and Nestle (-7%) added a further 32 bps. Major detractor from performance were overweights to Centerpoint Energy (-19%), Safran (-9%) and Church & Dwight (-13%), which detracted a combined 70 bps. Nil exposure to Apple, also detracted 30 bps as the stock soared 22% over the quarter. The majority of holdings in the Davis (389 bps) portfolio performed very well over the quarter, with their top five contributors to performance all gaining between 22% and 31%. Those holdings were Ferguson plc, Alibaba Group, Applied Materials, JD.com and the Brazilian insurer, Sul America. **WCM's** (-180 bps) underperformance was due to a recent purchase, McDonalds, which declined 11% over the quarter, as well as a few names which performed extremely well earlier in the year, but succumbed to profit taking in the fourth quarter.

Key Facts

Distributions

Generally does not distribute

Hedging

Any foreign currency exposure is unhedged.

Exclusions

Any security that conduct activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009 and tobacco manufacturers.

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 | \$252.9m |

Compliance

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

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