Factsheet 31 January 2020

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 equities in aggregate fell in January, after the strong rally in late 2019.
- Whilst returns had been quite strong in the early part of the month, this was reversed as news of the coronavirus outbreak in China checked investor enthusiasm.
- The strong NZ dollar meant that unhedged overseas exposure provided investors with positive returns.
- This month's strongest sector was the Utilities sector (at the expense of Financials) as bond yields gave up all of the increases seen in Q4 last year, falling particularly quickly towards month end as the news flow on the coronavirus deteriorated.

Fund Highlights

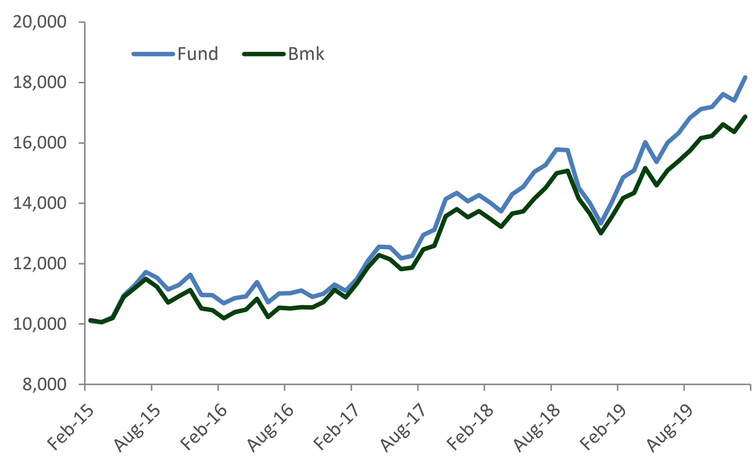
- The Fund had a solid January with a return of 4.38%, to beat the benchmark return by 128 basis points (bps).
- Contributions from the underlying managers were almost the opposite from the previous month, with WCM (226 bps) responsible for most of the value added in January. Royal London (157 bps) also had a significantly positive impact on performance, while Davis (-46 bps) trailed the benchmark following a very strong December.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale[1]	4.38%	5.66%	29.34%	17.86%	12.69%	
Benchmark[2]	3.10%	3.93%	24.37%	15.74%	11.03%	
Retail[3]	5.03%	4.99%	27.92%	16.71%	11.66%	

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.

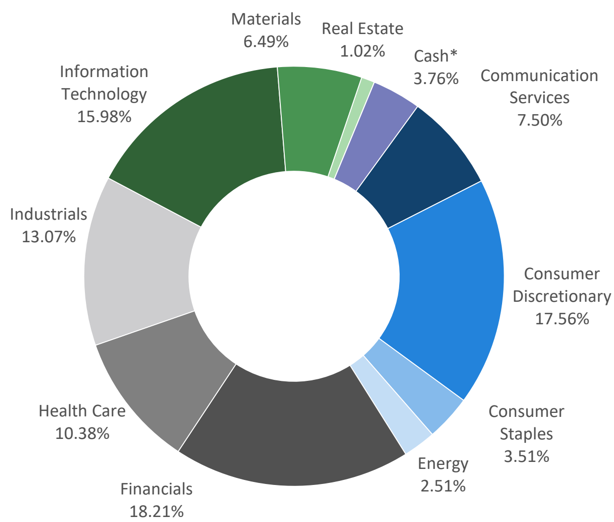
Overview

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	2.87%	0.68%	US
Amazon.com	2.76%	1.68%	US
Berkshire Hathaway Inc, Class B	2.57%	0.59%	US
New Oriental Education	2.44%	0.03%	China
Taiwan Semiconductor	2.22%	0.00%	Taiwan
Shopify Inc	2.08%	0.09%	Canada
Alphabet Inc, Class C	1.82%	0.89%	US
Microsoft	1.69%	2.46%	US
Ferguson plc	1.61%	0.04%	UK
Old Dominion Freight Line	1.58%	0.02%	US

Manager	Allocation	Active Return
Royal London	36.81%	1.57%
Davis	26.11%	-0.46%
WCM	35.27%	2.26%
Cash & Derivatives	1.81%	1.38%

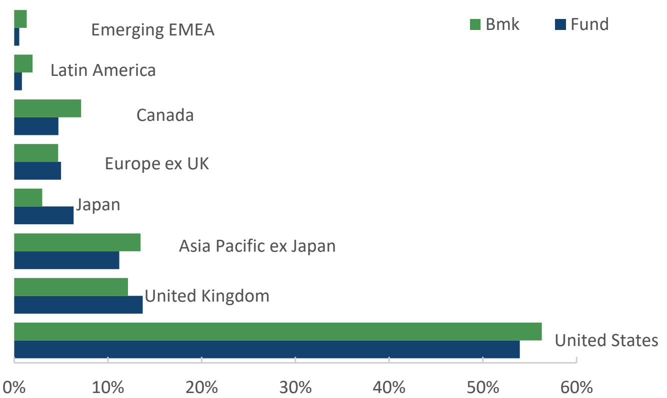
What helped		What Hurt	
Maeda Road Construction	OW	Apple Inc	UW
Shopify	OW	Daimler AG	OW
Visa Inc	OW	Seven Generations Energy	OW

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

Market Commentary

Global equities rose in January, with the MSCI All Countries World Index gaining 3.10% and continuing the rally seen in Q4 last year. The rally was particularly impressive in the early part of the month, before news of the coronavirus outbreak in China checked investor enthusiasm. Although the ultimate impact of this disease remains to be seen, the magnitude of the travel restrictions imposed in an attempt to contain the outbreak will doubtless have some short-term impact on Chinese consumption and manufacturing. The ongoing financial reporting season has offered few clues, with most management teams (understandably) saying that it is too early to tell. Investors continue to look for historical precedents, while attempting to estimate the impact of the virus. The outbreak of SARS IN 2002/3 has been the first analogue for most. Subject to some concern over the accuracy of reporting, the coronavirus appears to spread more quickly but fatality rates are appreciably lower.

Geographical Allocation



Economic indicators have generally improved so far this year. For instance, the much watched ISM New Orders index in the US has rallied above 50, back to expansionary levels and the Eurozone's Purchasing Managers Index has also staged a modest rebound.

This month's strongest sector was the utilities sector (at the expense of financials) as bond yields gave up all of the increases seen in Q4 last year, falling particularly quickly towards month end as the news flow on the coronavirus deteriorated. The information technology sector continued to perform very strongly as investors once again crowded into 'safe' growth. Company earnings in the sector have generally added to its allure, with index heavyweights like Apple, Microsoft and IBM all posting very strong numbers. The weakest performance came from those sectors traditionally most reliant upon China for demand growth. Both energy and materials underperformed badly as a result.

Regionally speaking, the US was the best performing large region (helped once again by its relatively heavy exposure to the technology sector). Japan, Europe and the UK all underperformed modestly but the weakest performance came from Global Emerging Markets (GEM).

Fund Commentary

The fund had a solid January with a return of 4.38%, to beat the benchmark return by 128 basis points (bps). Contributions from the underlying managers were almost the opposite from the previous month, with WCM (226 bps) responsible for most of the value added in January. Royal London (157 bps) also had a significantly positive impact on performance, while Davis (-46 bps) trailed the benchmark following a very strong December. At the fund level, stock selection added value in several sectors, with top performers such as Maeda Road Construction, Shopify, Visa and Mercadolibre making the biggest impact on the Fund's overall performance. Apple was once again the main detractor, as it gained another 10% in January while the Fund has no exposure to it.

Sector-wise, the fund's underweight to the defensive utilities sector, the best performing sector in January, detracted about 30 bps, but much more value was added from stock selection in the industrials, consumer discretionary and healthcare sectors.

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*	*$268.8m*

Compliance

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

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