

Factsheet 31 January 2020

# NIKKO AM GLOBAL SHARES UNHEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Shares Fund. The Nikko AM Global Shares Fund (retail) and Nikko AM KiwiSaver Scheme Global Shares Fund 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

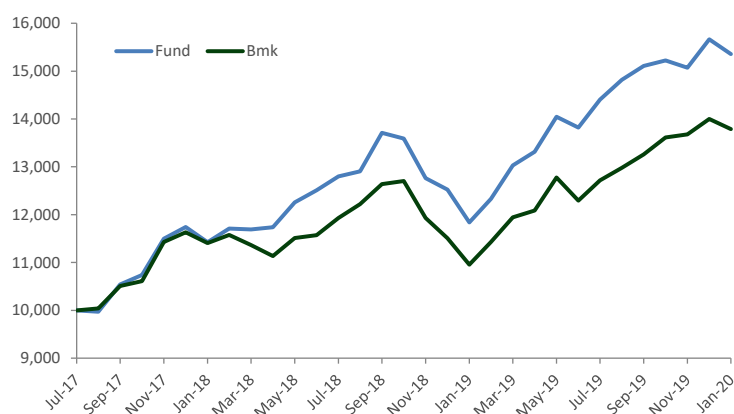
- Over the month, the portfolio outperformed its benchmark by 80 basis points (bps).
- Progressive, Microsoft and LHC Group positively contributed to performance.
- Anthem, Johnson Matthey and HDFC Bank were negative contributors to performance.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	3.90%	5.84%	29.37%			
Benchmark <sup>2</sup>	3.10%	3.93%	24.37%			
Retail <sup>3</sup>	4.55%	5.54%	28.36%			
KiwiSaver <sup>3</sup>	4.55%	5.51%	29.68%			

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.

## 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.

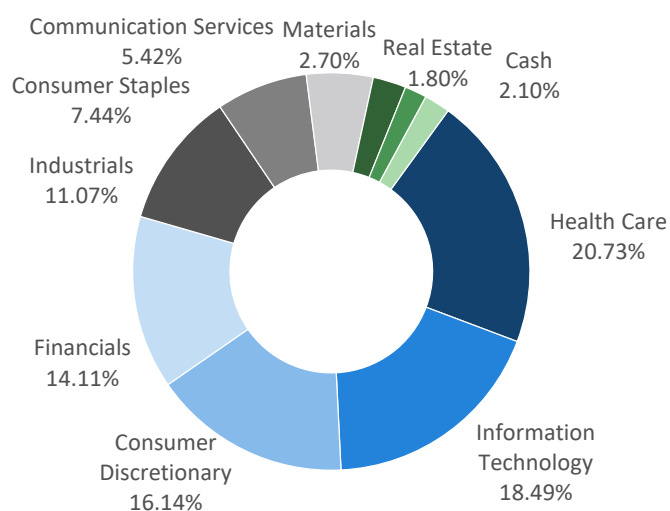
## Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth.

## Objective

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

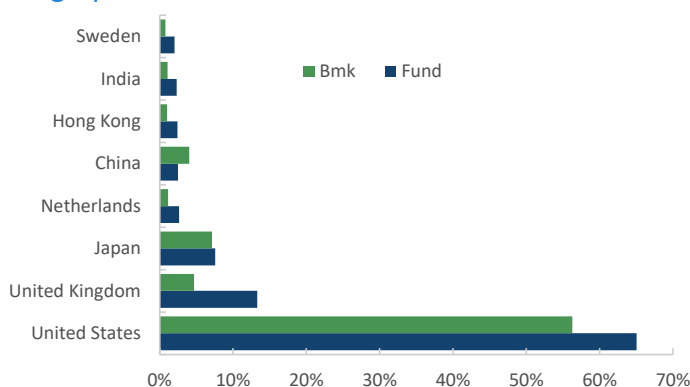
## Asset Allocation



### Top 10 Holdings (%)

	Fund	MSCI	Country
Microsoft Corporation	5.95	2.46	US
TransUnion	4.19	0.03	US
Progressive Corporation	4.09	0.09	US
Amazon.com, Inc.	3.88	1.68	US
LHC Group, Inc.	3.70	0.00	US
Adobe Inc.	3.25	0.34	US
Unilever PLC	3.16	0.13	UK
Accenture Plc Class A	3.13	0.26	US
Sony Corporation	3.10	0.18	JP
Nintendo Co., Ltd.	2.92	0.08	JP

### Geographical Allocation



### Market Commentary

Global equities rose in January, 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. 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.

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 staged a modest rebound too. 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 Emerging Markets, with all GEM regions performing much more weakly than the benchmark.

### Fund Commentary

The portfolio outperformed its benchmark by 80 bps over the month. Holdings with a notable impact on returns included **Progressive** who enjoyed a good month after strong results. **Microsoft** produced another set of strong quarterly results, characterized again by very strong growth in their Commercial cloud platform. **LHC Group** has continued to see strong performance, despite one US hedge fund launching a short attack on the stock. **Anthem** has suffered on a combination of political developments and quarterly results. **Johnson Matthey** has underperformed based on a combination of fears over the Chinese economy, which remains an important market for the company, and rising precious metal prices. **HDFC Bank** slightly underperformed this month. The one negative aspect of the results was a notable increase in non-performing loans, and investor concerns over the health of the Indian economy.

### Key Fund Facts

#### Distributions

Generally does not distribute

#### Hedging

Any foreign currency exposure is unhedged.

#### Exclusions

Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.

#### Restrictions

Adult entertainment, gambling, fossil fuels, alcohol stocks. For more information please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <https://www.nikkoam.co.nz/invest/retail>.

#### Estimated annual fund charges (Incl. GST)

Wholesale: negotiated outside of the unit price  
 Retail: 1.22%, refer PDS for more details  
 Kiwisaver: 1.17%, refer PDS for more details.

#### Buy / Sell Spread

0.07%/0.07%

#### Strategy Launch

July 2017

#### Strategy size

\$187.5m

### Compliance

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

### Contact Us [www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor’s objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on [nikkoam.co.nz](http://nikkoam.co.nz).