

Factsheet 29 February 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

- February has seen wildly varying estimates regarding the likely spread of the virus, fatality rates and the economic impact. The reporting of the outbreak has also become more extreme, with widespread imagery of medical professionals in hazmat suits, military vehicles disinfecting streets and abandoned public areas. Time will tell how these images and Government agencies sharing 'worst case scenarios' impact consumer behaviour.
- This month's strongest sectors were mostly traditional defensives with Communication Services, Real Estate and Healthcare all outperforming. The Technology sector also outperformed.

Fund Highlights

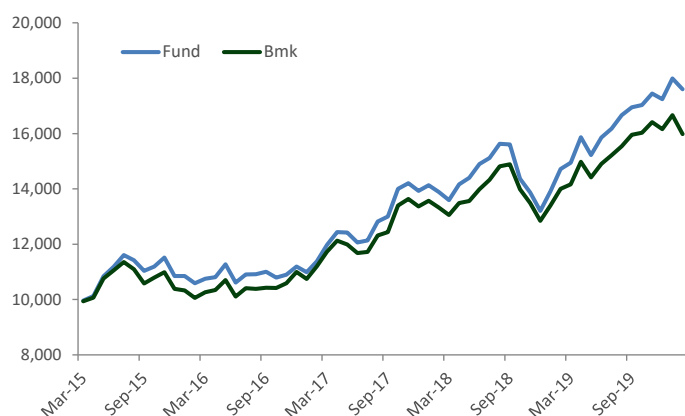
- The fund followed the market lower in February, but its return of -2.19% was 1.90% better than the benchmark return.
- The fund benefitted most from overweights to consumer and technology-oriented names such as New Oriental Education, Taiwan Semiconductor, Shopify and Applied Materials. Royal London's Old Dominion Front Line was also a top contributor to performance. On the downside, the computer graphics processor manufacturer, Nvidia Corp, which the Fund does not own, was the top detractor after it jumped 18% over the month. Detractors which the Fund does own, were the Canadian oil company Ovintiv (-23%), the mobile phonemaker Samsung (-1%) and the aircraft components manufacturer Safran (-12%).

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-2.19%	0.87%	19.60%	15.66%	11.97%	
Benchmark ²	-4.09%	-2.61%	14.14%	12.58%	9.83%	
Retail ³	-3.51%	-0.66%	18.10%	14.05%	10.62%	

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.

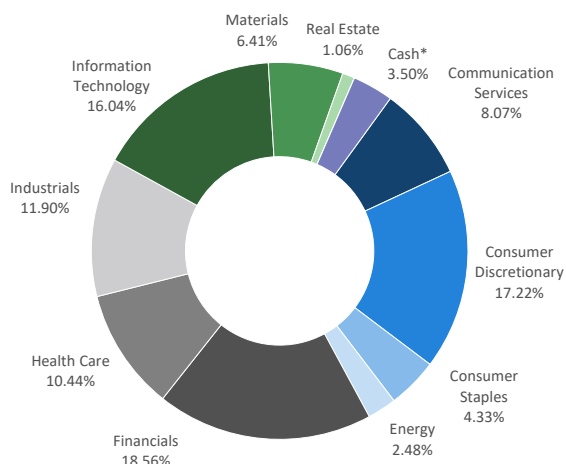
Overview

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	2.83%	0.68%	US
Amazon.com	2.79%	1.72%	US
Berkshire Hathaway Class B	2.63%	0.59%	US
New Oriental Education	2.77%	0.04%	China
Taiwan Semiconductor	2.39%	0.00%	Taiwan
Shopify Inc	1.83%	0.10%	Canada
Alphabet Inc Class C	1.84%	0.91%	US
Microsoft	1.73%	2.55%	US
Alibaba Group Holding	1.68%	0.76%	China
Old Dominion Freight Line	1.69%	0.03%	US

Manager	Allocation	Active Return
Royal London	36.64%	0.39%
Davis	26.57%	2.53%
WCM	36.02%	2.92%
Cash & Derivatives	0.77%	7.77%

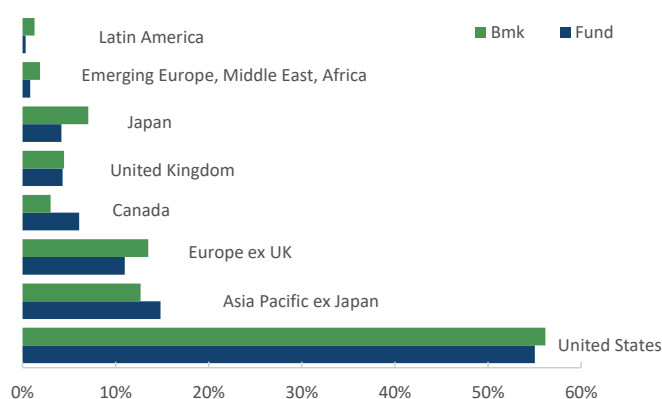
What helped	What Hurt
New Oriental Education	OW Nvidia Corp NH
Taiwan Semiconductor	OW Ovintiv Inc OW
Shopify	OW Samsung Electronics OW

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

Market Commentary

Equity investors had brushed off initial fears over the coronavirus in January, believing (or hoping) that the outbreak would be largely limited to China and short-term in duration. This picture changed abruptly in February as more cases started to emerge across the world, leading investors to question the efficacy of containment measures and the ultimate toll on the global economy. Global equity markets sold off sharply during the last week of February, and the benchmark MSCI All Countries World Index finished the month with a return of -4.09% (NZD, unhedged). February has seen wildly varying estimates regarding the likely spread of the virus, fatality rates and the economic impact. Industrial confidence has proved to be more fragile than consumer confidence in recent months and this picture persisted in February. Crucially, the US consumer continued to feel relatively good about the world, as evidenced by the University of Michigan Consumer Sentiment Survey. With the build up to the US Presidential election, this month we observed some early skirmishes in the battle for the US Democratic nomination. February's strongest sectors were mostly traditional defensives with communication services, real estate and healthcare all outperforming. The information technology sector also outperformed. Cyclical sectors bore the brunt of the selling over the month. Energy was (yet again) the weakest sector, as oil prices retreated towards USD 50 once again on concerns over demand. Industrials, financials and materials also all underperformed. Regionally speaking, the weakness in commodity markets was also evident. Latin America and the Middle East were weak, as was the United Kingdom. Japan also underperformed on concerns over the virus's impact on the economy and with the Yen strengthening again, threatening the cost effectiveness of the country's exporters.

Geographical Allocation



Fund Commentary

The fund followed the market lower in February, but its return of -2.19% was 1.9% better than the benchmark return. All three managers outperformed: WCM (by 2.9%) and Davis (by 2.5%) were quite exceptional, while Royal London (0.4%) was marginally ahead of the benchmark. The fund benefitted most from overweights to consumer and technology-oriented names such as New Oriental Education, Taiwan Semiconductor, Shopify and Applied Materials. Royal London's Old Dominion Front Line was also a top contributor to performance. On the downside, the computer graphics processor manufacturer, Nvidia Corp, which the Fund does not own, was the top detractor after it jumped 18% over the month. Detractors which the fund does own, were the Canadian oil company Ovintiv (-23%), the mobile phonemaker Samsung (-1%) and the aircraft components manufacturer Safran (-12%).

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	\$256.9m

Compliance

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

Contact Us

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