

Factsheet 29 February 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

- February has seen wildly varying estimates regarding the likely spread of coronavirus, 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

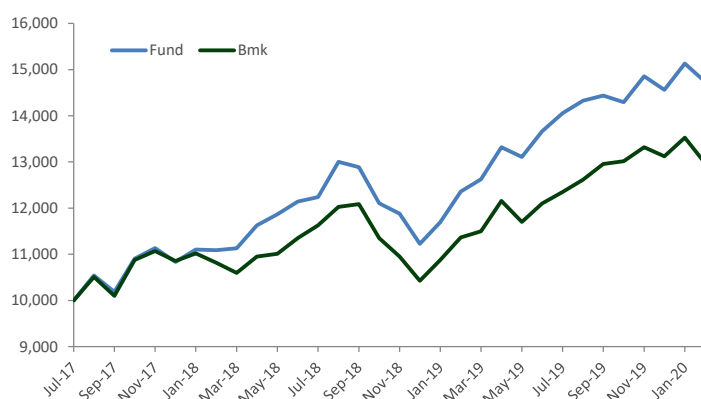
- The fund returned -2.62% in February outperforming the benchmark by 1.47%.
- TJX, LabCorp and LivaNova positively contributed to performance.
- LHC Group, Sony and SVB Financial were negative contributors to performance.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-2.62%	-0.81%	19.23%			
Benchmark <sup>2</sup>	-4.09%	-2.61%	14.14%			
Retail <sup>3</sup>	-3.48%	-1.94%	18.75%			
KiwiSaver <sup>3</sup>	-3.49%	-1.97%	19.87%			

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.

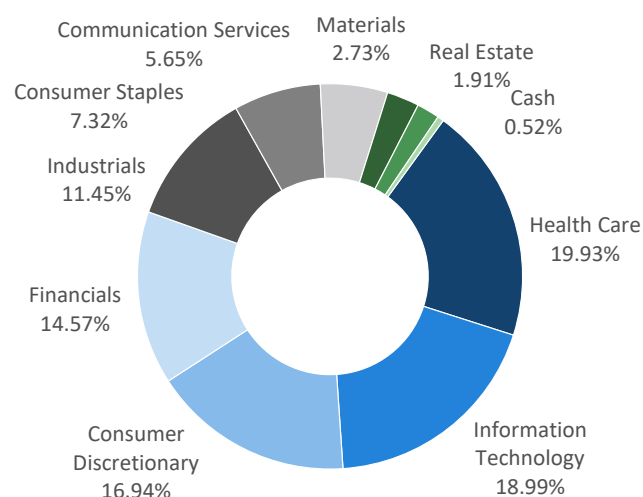
## Overview

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.

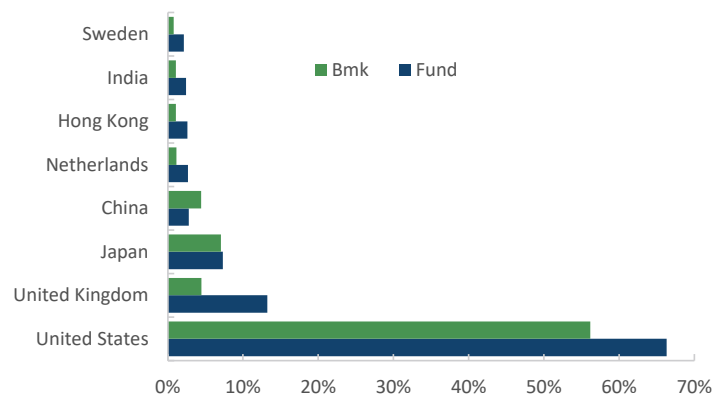
## Asset Allocation



### Top 10 Holdings (%)

	Fund	MSCI	Country
Microsoft Corporation	6.16	2.55	US
TransUnion	4.42	0.04	US
Progressive Corporation	4.03	0.09	US
Amazon.com, Inc.	3.96	1.72	US
Adobe Inc.	3.47	0.36	US
LabCorp	3.36	0.04	US
TJX Companies Inc	3.21	0.16	US
LHC Group, Inc.	3.18	0.00	UK
Unilever PLC	3.06	0.13	UK
Accenture Plc Class A	3.00	0.25	US

### Geographical Allocation



### Market Commentary

Equity investors had brushed off fears over the coronavirus in January, believing (or hoping) that the outbreak would be largely limited to China and be short-term in duration. This picture changed abruptly in February as cases started to emerge across the world, leading investors to question the efficacy of containment measures and the ultimate toll on the global economy. February has seen wildly varying estimates regarding the likely spread of the virus, fatality rates and the economic impact.

This month's strongest sectors were mostly traditional defensives with Communication Services, Real Estate and Healthcare all outperforming. The Technology sector also outperformed. Cyclical sectors bore the brunt of the selling this month. Energy was (yet again) the weakest sector, as oil prices retreated towards USD50/barrel once again on concerns over demand. Industrials, Financials and Materials all underperformed too.

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.

### Fund Commentary

The portfolio outperformed its benchmark by 1.47% over the month. Holdings with a notable impact on returns included **TJX** who performed well after some strong results with same store sales growth exceptionally strong, running in high single digit percentages across Europe. **LabCorp** outperformed after a solid earnings report. Their contract research business (Covance) continues to grow strongly, driven by booming life sciences research. **LivaNova** continues to make good progress in its pipeline of new products, targeting large areas like "Difficult to Treat" Depression and Heart Failure.

**LHC Group** underperformed after the company issued disappointing Q4 numbers. **Sony** suffered along with the rest of the Apple supply chain after the company announced that the ongoing disruption caused by the outbreak of the coronavirus was likely to see them miss their guidance on revenue growth. **SVB Financial** has suffered from the risk-off nature of markets as fears over the economic impact of the coronavirus intensified.

We will continue to focus on finding long-term investment opportunities. It is likely that elevated volatility will present opportunities to buy these for our investors at more reasonable valuations.

### 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

\$178.7m

### Compliance

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

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