

Factsheet 31 March 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 markets were hit by COVID-19 over the first quarter of 2020, with most global equity indices suffering one of their worst declines ever. While not as deep as the financial crisis of 2008, this crash was much faster. Energy, materials and financial sectors were hardest hit, while the best performing sectors have been defensives, with healthcare, information technology, consumer staples, utilities and communication leading the way.

Fund Highlights

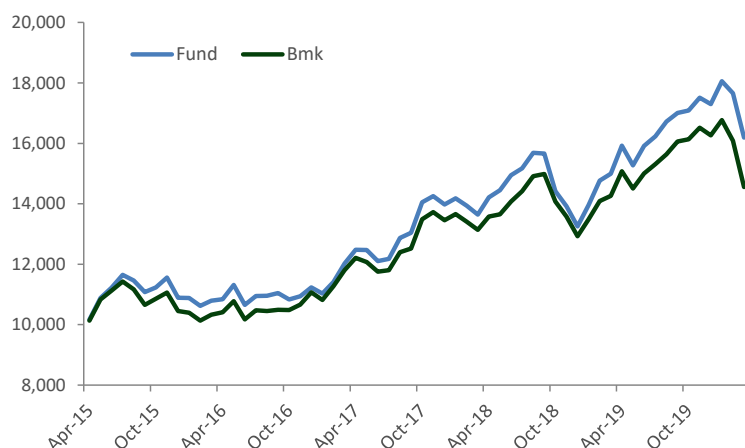
- The fund returned of -6.40% over the quarter, 412 bps ahead of the benchmark.
- Most of the value added over the quarter came from stock selection in the consumer discretionary, industrials, financials and communication services sectors. Whilst the energy sector stood out as a “miss” with Davis’s stock selection detracting value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-8.31%	-6.40%	7.96%	10.45%	10.12%	
Benchmark ²	-9.50%	-10.52%	2.09%	7.23%	7.80%	
Retail ³	-8.66%	-7.43%	6.37%	9.14%	8.72%	

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.

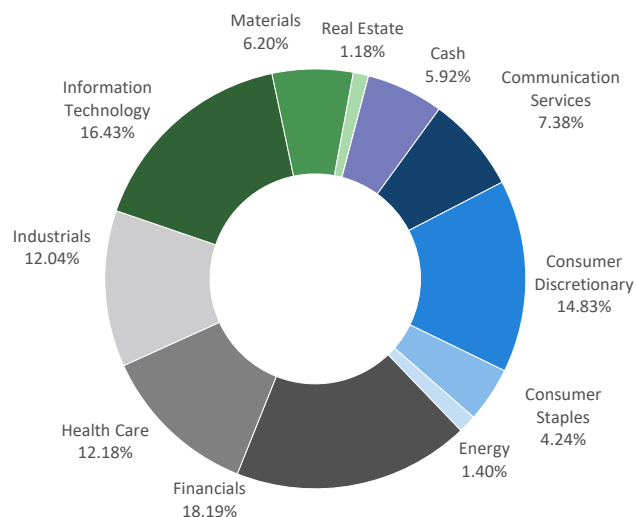
Overview

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
Amazon.com	3.00%	2.07%	US
Visa Inc	2.89%	0.69%	US
Berkshire Hathaway Inc	2.38%	0.60%	US
Taiwan Semiconductor ADR	2.27%	0.00%	Taiwan
Shopify Inc	1.82%	0.11%	Canada
Alibaba Group Holding	1.80%	0.85%	China
Microsoft Corp	1.79%	2.87%	US
Alphabet Inc, Class C	1.72%	0.90%	US
Verizon Communications	1.69%	0.56%	US
AIA Group Ltd	1.68%	0.28%	Hong Kong

Manager	Allocation	Active Return
Royal London	36.64%	4.27%
Davis	26.57%	-2.52%
WCM	36.02%	8.87%
Cash & Derivatives	0.77%	15.42%

What helped	What Hurt
Shopify	OW Apple Inc UW
New Oriental Education	OW Seven Generations Energy OW
Old Dominion Freight Line	OW Suncor Energy OW

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

Market Commentary

Global markets were hit by COVID-19 over the first quarter of 2020, with most global equity indices suffering one of their worst declines ever. While not as deep as the financial crisis of 2008, this crash was much faster. Although the first COVID-19 cases from China were reported in mid-January, global equity markets continued to appreciate into February, until the panic suddenly took hold during the last week of February, as the virus started to rear its head in Europe. From there the markets commenced a very sharp move to the downside. At its lowest point on the 23rd of March, the MSCI All Countries World Index was about 25% below its February high, before it recovered somewhat during the last week of the March. Over the quarter, the Index return was -10.52% (NZD, unhedged). Significant foreign currency gains against the NZD also cushioned the blow for unhedged New Zealand investors in Q1.

Among the main style indices, Growth and Quality both outperformed the benchmark by more than 600 basis points (bps) over the quarter, while Value underperformed by 650 bps. It was no surprise to see the energy, materials and financials sectors, which are all strongly represented in Value indices, underperform the most. Meanwhile the healthcare sector outperformed by more than 1100 bps, while information technology, consumer staples, utilities and communication services were the other top performing sectors. Regionally, China and Switzerland both outperformed by about 1200 bps, while Hong Kong, Japan and Taiwan all had smaller losses than the Benchmark. Brazil fell the most with a 43% decline over the quarter. Australia, India and the UK all underperformed by significant margins too.

Fund Commentary

The fund's performance has been as expected in the current market environment. While the fund's absolute return of -6.41% over the quarter was disappointing, in relative terms it held up much better than the benchmark and outperformed by 411 basis points (bps). This was also the fund's best quarter in relative terms since inception in late 2013.

WCM was the top performing manager over the quarter. Their return of -1.65% put them 887 bps ahead of the benchmark return. Royal London also outperformed (by 427 bps), while Davis had a poor quarter, underperforming the benchmark (by 252 bps).

Most of the value added over the quarter came from stock selection in the consumer discretionary, industrials, financials and communication services sectors. The energy sector stood out as a "miss" with Davis's stock selection detracting value. Among individual holdings, the top contributors to the fund's relative performance were two of WCM's holdings (Shopify and West Pharmaceutical Services), two of Davis's Chinese holdings (JD.com and New Oriental Education) and one of Royal London's holdings (Old Dominion Freight Line). Together those five companies contributed a combined 291 bps.

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)

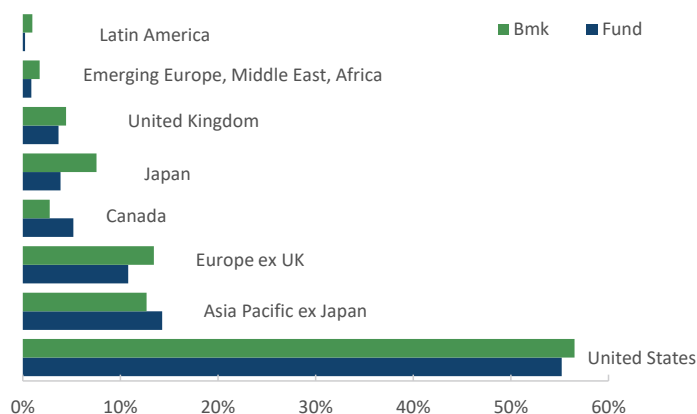
Wholesale: negotiated outside of the unit price

Retail: 1.37%, refer PDS for more details

Buy / Sell spread: **Strategy Launch** **Strategy size**

0.07% / 0.07% October 2008 \$232.6m

Geographical Allocation



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

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