Factsheet 31 May 2020

NIKKO AM GLOBAL EQUITY HEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Equity Hedged Fund. The Nikko AM Global Equity Hedged Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- Global equity markets continued to recover from March's sell-off in May. The combination of increasing support from governments and central banks, together with tentative signs of a gradual re-opening of economies across the Developed World added to investor confidence that the worst had passed.
- The best performing sectors was Information Technology, closely followed by Industrials, Materials and Consumer Discretionary.

Fund Highlights

- The fund returned 5.95% over the month, 159 bps ahead of the benchmark.
- Security selection was once again responsible for almost all value added – largely in the consumer discretionary, industrials, materials, healthcare and information technology sectors. The overweight to the financials sector, which underperformed, was the only detractor of note.

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 gross hedged at 139% to NZD.

Objective

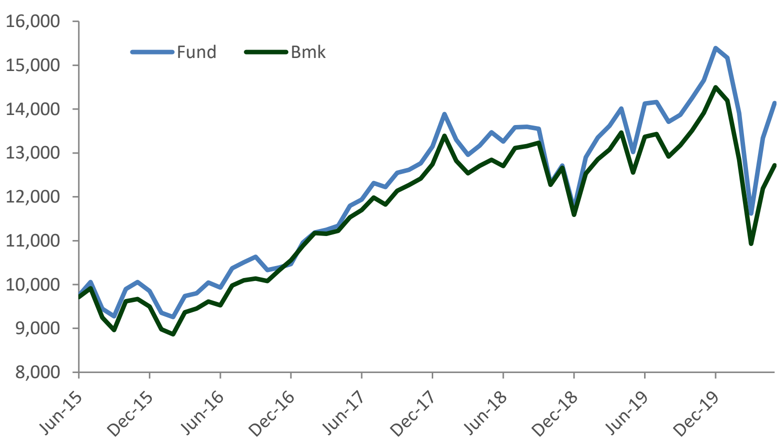
The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

Performance

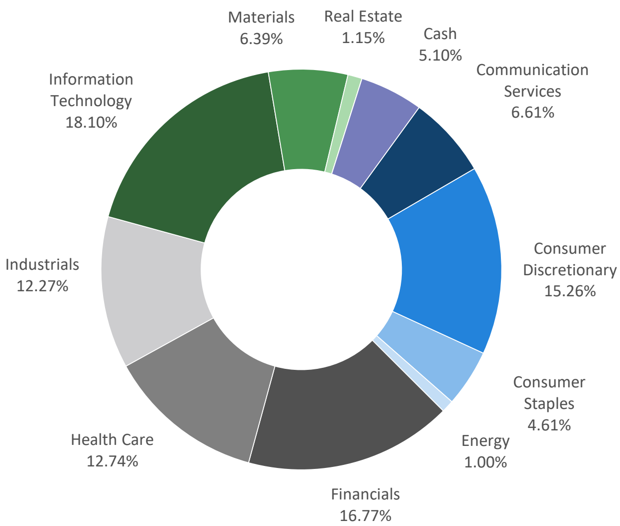
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale[1]	5.95%	1.60%	8.58%	6.22%	7.17%	
Benchmark[2]	4.36%	-1.03%	1.30%	3.31%	4.93%	
Retail[3]	4.31%	-1.56%	5.84%	4.63%	5.72%	

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) 139% gross hedged to NZD. 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]



Asset Allocation



nikko am
Nikko Asset Management

Top 10 Holdings	Fund	MSCI	Country
Visa Inc	3.14%	0.73%	US
Amazon.com	2.90%	2.25%	US
Shopify Inc	2.06%	0.17%	Canada
Taiwan Semiconductor	1.99%	0.00%	Taiwan
Church & Dwight	1.94%	0.04%	US
Raytheon Technologies	1.75%	0.21%	US
Microsoft Corp	1.74%	2.90%	US
West Pharmaceutical Services	1.72%	0.03%	US
Alphabet Inc	1.71%	0.97%	US
Alibaba Group	1.64%	0.79%	China

Manager	Allocation	Active Return
Royal London	34.78%	-0.17%
Davis	25.33%	0.20%
WCM	38.09%	4.66%
Cash & Derivatives	1.80%	-4.33%

What helped		What Hurt	
Mercadolibre Inc	OW	AIA Group	OW
Shopify Inc	OW	Taiwan Semiconductor	OW
Lululemon Athletica	OW	New Oriental Education	OW

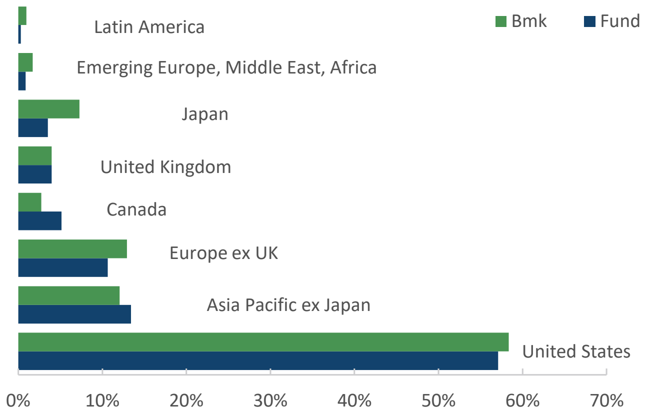
OW: overweight; UW: underweight; NH: no holding – month end position

Market Commentary

Global equity markets continued to recover from March's sell-off in May, with the MSCI All Countries World Index gaining 3.96% (NZD, unhedged). The combination of increasing support from governments and central banks, together with tentative signs of a gradual re-opening of economies across the developed world added to investor confidence that the worst had passed. Even renewed sabre rattling by the US President towards China was not enough to derail the rally. Although economic indicators remain at levels well below pre-crisis levels and gauges of unemployment continue to look alarming, May did see a measure of recovery in much-watched indices, such as the ISM New Orders Index in the US. Even new unemployment claims (traditionally a lagging indicator) showed smaller than expected increases last month. Part of the reason for April's moves lies in investor positioning in the immediate aftermath of the COVID-19 outbreak. This had reached historical extremes in March, in terms of defensives versus cyclicals and growth versus value. As a result, May also saw a measure of rotation, back into the laggards. The rotation was not indiscriminate, however, with some value sectors (such as financials) lagging and some growth stalwarts (such as information technology) continuing to lead the way. It is a positive that market leadership has broadened as markets continued to recover.

Information technology was the best performing sector in May, closely followed by industrials, materials and consumer discretionary. Within information technology, there was also a notable increase in investor interest in greater cyclicality, with areas like semiconductor manufacturers enjoying a sharp rebound. Defensive sectors once again failed to keep pace with the market this month. Real estate and consumer staples being some of the worst, with healthcare and utilities almost matching the returns seen by the market in general. Given the positivity noted elsewhere, it is interesting to see utilities outperforming financials. The reason is likely the ongoing suppression of bond yields by central banks across the world.

Geographical Allocation



Fund Commentary (all return percentages expressed as unhedged NZD unless otherwise stated)

The fund returned 5.95% in May which was 159 basis points ahead of the Benchmark return of 3.96%. WCM (466 bps) had outstanding performance, delivering its best monthly outperformance since they were appointed six years ago. Davis (20 bps) and Royal London (-17 bps) both performed more in line with the Benchmark over the month. Security selection was once again responsible for almost all value added – largely in the consumer discretionary, industrials, materials, healthcare and information technology sectors. The overweight to the financials sector, which underperformed, was the only detractor of note.

Among the fund's top individual contributors to performance were large gains in the online retailer Mercadolibre (45%), the software-as-a-service (SaaS) provider Shopify (19%) and the sportswear company Lulumelon (34%). Next were the Chinese online direct sales company JD.com (25%) and the US trucking business Old Dominion Freight Line (17%). Detractors from performance were largely limited to the financials sector, and included names such as the Asian insurer AIA Group (-13%), the US bank Wells Fargo (-7%) and Berkshire Hathaway (-1%). There was also some profit taking in Taiwan Semiconductor (-6%) and New Oriental Education (-6%) which appears to be only temporary weakness.

Key Facts

Distributions

Generally does not distribute

Hedging

Any foreign currency exposure is gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

Estimated annual fund charges (Incl. GST)

Wholesale: negotiated outside of the unit price

Retail: 1.43%, refer PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07% / 0.07%	October 2008	$92.46m

Exclusions

Any security that conduct activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009 and tobacco manufacturers.

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

Contact Us
www.nikkoam.co.nz | nzenquiries@nikkoam.com