

Factsheet 31 May 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 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 sector was Information Technology, closely followed by Industrials, Materials and Consumer Discretionary.

Fund Highlights

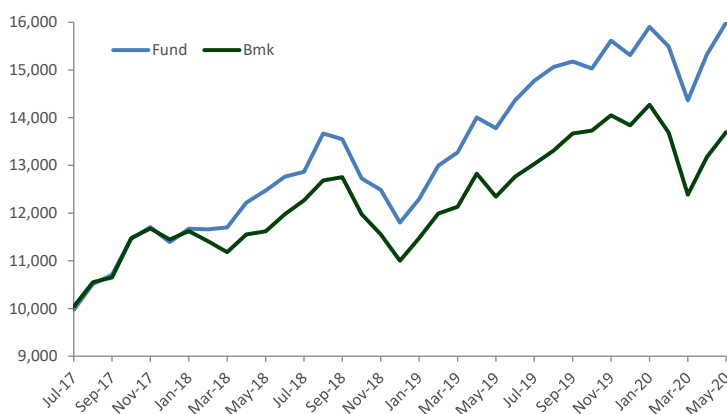
- The fund ended the month up 4.3%, 34 bps ahead of the benchmark.
- LHC Group, Bio-Techne and Palomar positively contributed to performance.
- Compass, AIA and Prudential were negative contributors to performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	4.30%	3.23%	16.03%			
Benchmark ²	3.96%	0.09%	10.98%			
Retail ³	1.86%	2.33%	12.84%			
KiwiSaver ³	1.87%	2.34%	13.44%			

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.^{1,2}



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.

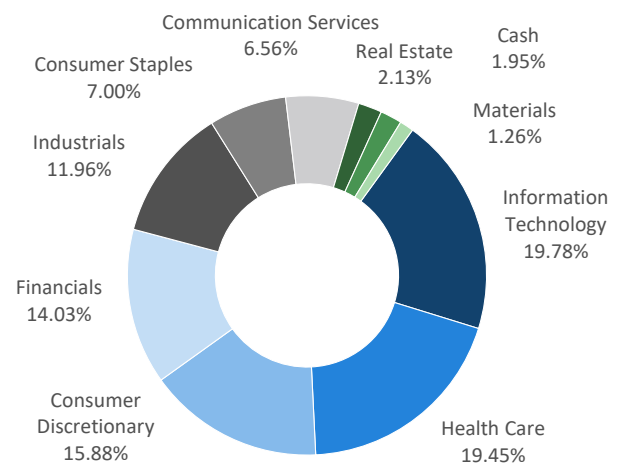
Overview

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.

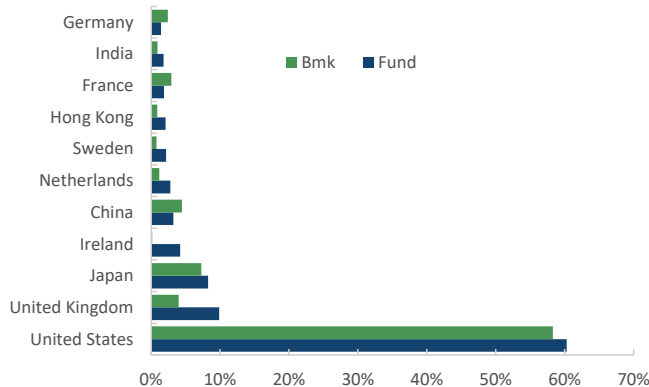
Asset Allocation



Top 10 Holdings (%)

	Fund	MSCI	Country
Microsoft Corporation	5.34	2.90	US
Amazon.com, Inc.	5.02	2.25	US
LHC Group, Inc.	3.68	0.00	US
Anthem, Inc.	3.35	0.16	US
Nintendo Co., Ltd.	3.33	0.10	Japan
LabCorp	3.29	0.04	US
Accenture Plc Class A	3.28	0.28	US
Tencent Holdings Ltd.	3.24	0.66	China
Progressive Corporation	3.19	0.10	US
TJX Companies Inc	3.02	0.14	US

Geographical Allocation



Market Commentary

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. 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. Part of the reason for last month's moves lies in investor positioning in the immediate aftermath of the coronavirus outbreak. This had reached historical extremes in March, in terms of defensives versus cyclicals and growth versus value. As a result, this month 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. Information Technology was actually the best performing sector in the market this month, 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 just about matching the returns seen by the market in general.

Fund Commentary

The portfolio outperformed its benchmark over the month. Holdings with a notable impact on returns include **LHC Group, Bio-Techne** and **Palomar**. LHC Group had a good month after Q1 results showed double digit organic growth in home health admissions at the start of the year. Bio-Techne has continued to perform well this month after strong results at the end of April. The results showed extremely strong organic growth in its core products for Life Sciences research. Palomar jumped approximately 14% towards month end, following the announcement of the specialist insurer's inclusion in the S&P 600. Stocks which negatively impacted returns included **Compass, AIA and Prudential**. Compass announced a £2bn rights issue this month to shore up its capital position and allow the company to take advantage of the financial weakness of its competitors. This caused some short-term weakness but should deliver better long-term growth for the business. AIA and Prudential both suffered from renewed geopolitical tensions in Hong Kong. We added **Hello Fresh** to the portfolio this month and sold our position in Ecolab.

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: 1.15%, refer PDS for more details.

Buy / Sell Spread

0.07%/0.07%

Strategy Launch

July 2017

Strategy size

\$189.2m

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

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