

Factsheet 30 June 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 equity markets climbed almost 10% (NZD, unhedged) in Q2 as equity investors continued to recoup March's steep losses. 2020 has already produced the fastest 30% drawdown in history, followed by the best month for 30 years.
- Information Technology was the best performing sector over the quarter, followed by consumer discretionary.

Fund Highlights

- The fund returned 12.5% over the quarter, 2.7% ahead of the benchmark.
- Stock selection was once again the main source of outperformance over the quarter. Value was added from most sectors, with the exception of the materials and financials sectors where stock selection detracted from performance.

Performance

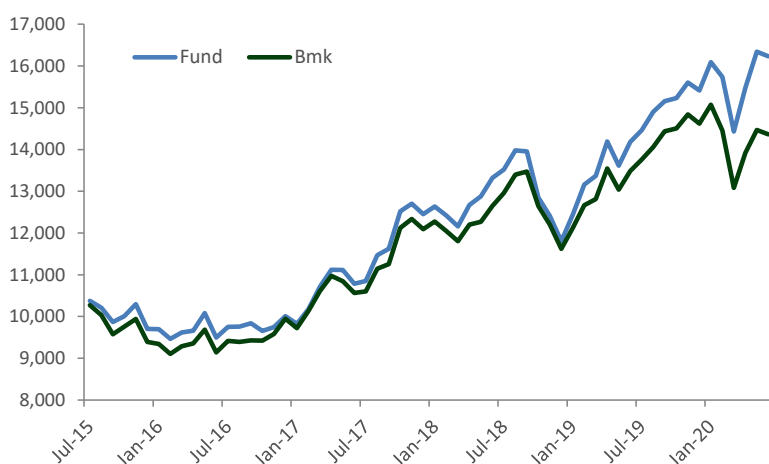
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-0.67%	12.51%	14.47%	14.60%	10.18%	
Benchmark ²	-0.73%	9.79%	6.54%	10.79%	7.51%	
Retail ³	-0.42%	12.03%	12.53%	12.86%	8.98%	

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.

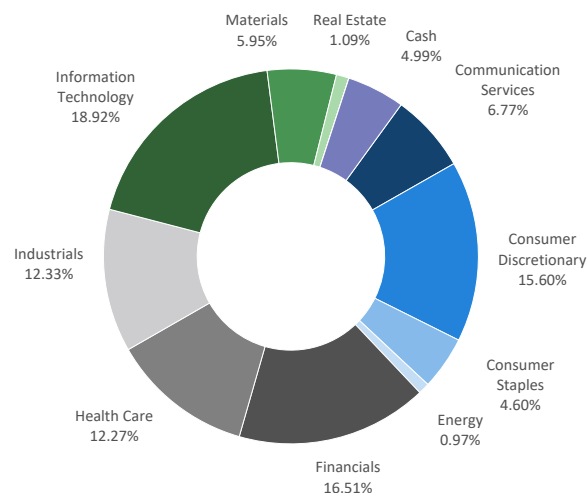
Overview

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	3.24%	2.45%	US
Visa Inc	3.05%	0.69%	US
Shopify Inc	2.52%	0.21%	Canada
Taiwan Semiconductor	2.21%	0.00%	Taiwan
Church & Dwight Co	1.96%	0.04%	US
Microsoft Corp	1.91%	3.09%	US
West Pharmaceutical Services	1.76%	0.04%	US
Mercadolibre Inc	1.76%	0.09%	US
Alibaba Group Holding	1.69%	0.85%	China
Alphabet Inc	1.67%	0.91%	US

Manager	Allocation	Active Return
Royal London	32.36%	-2.75%
Davis	0.01%	1.23%
WCM	41.85%	8.23%
State Street Transition account	25.55%	N/A
Cash & Derivatives	0.23%	N/A

What helped	What Hurt
Shopify Inc	OW Berkshire Hathaway
Mercadolibre Inc	OW Apple
Lululemon Athletica	OW Wells Fargo

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

Market Commentary

Global equity markets climbed almost 10% (NZD, unhedged) in Q2 as equity investors continued to recoup March's steep losses. 2020 has already produced the fastest 30% drawdown in history, followed by the best month for 30 years. The forces that shaped both the panicky sell-off and the subsequent recovery remained firmly on investors' radars.

Economic indicators have continued to show some improvement, albeit from depressed levels, as major economies including the US have started to re-open after their lockdowns. The subsequent surge in new infections in some US states, however, suggests that the balance between economic and public health remains a very challenging one, even for countries with relatively sophisticated testing infrastructure. Developing economies across the Americas and parts of South Asia are dealing with the pandemic without this assistance – making the task even more unenviable for their politicians and public health leaders. Gold has continued to remain in favour as central banks have injected liquidity into the global financial system in an attempt to make sure that the current recession doesn't morph into anything more enduring. Debt deflation remains public enemy number one, given generally high levels of indebtedness but a burst of reasonably pronounced price inflation could also result from recent monetary easing if the pandemic's impact on consumers is less marked than expected. Gold is viewed as a hedge against both eventualities. Information technology was the best performing sector in the market over the quarter, followed by consumer discretionary and valuations for these growth leaders have continued to re-rate higher. The materials sector has also outperformed, as some industrial commodity prices have rebounded quickly, including copper. Not all economically sensitive sectors fared well though, with industrials failing to keep up with the rally and financials significantly underperforming the market as central bank actions continue to flatten yield curves, handicapping the sector's earning power. Market leadership has narrowed as the quarter unfolded, following a period of more broad-based strength, in April.

Fund Commentary

For the quarter ending 30 June 2020, the fund outperformed the index by 271 basis points (bps), with the fund returning 12.50% and the index returning 9.79%. WCM contributed about half of the fund's return, while Davis and Royal London made up the balance. As in the previous quarter, Growth continued to outperform Value, and by a margin of about 1000 bps in Q2. While the fund has a strong Growth bias, the focus is first and foremost on quality companies - businesses with strong balance sheets, low debt, a competitive advantage, economic tailwinds and good management. Of the three sub-managers, Royal London has the most exposure to the Value factor, through a number of holdings in the Mature and Turnaround phases of the Corporate Life Cycle. Stock selection was once again the main source of outperformance over the quarter. Value was added from most sectors, with the exception of the materials and financials sectors where stock selection detracted from performance. The best ideas were found in the healthcare, information technology and consumer discretionary sectors. The fund also benefitted from an overweight exposure to the outperforming consumer discretionary sector, and underweight exposures to the struggling utilities and consumer staples sectors. The fund is currently transitioning managers from Davis to NAM Europe.

Key Facts

Distributions

Generally does not distribute

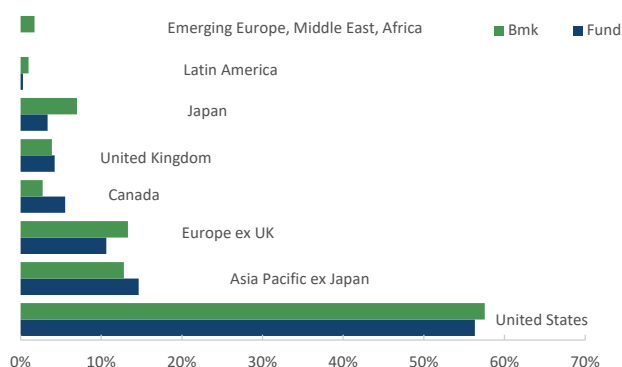
Hedging

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.

Geographical Allocation



EM exposure

Fund 11.95%

Benchmark 12.14%

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

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

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