

Factsheet 30 June 2020

# NIKKO AM GLOBAL SHARES HEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Shares Hedged Fund. The Nikko AM Global Shares Hedged 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

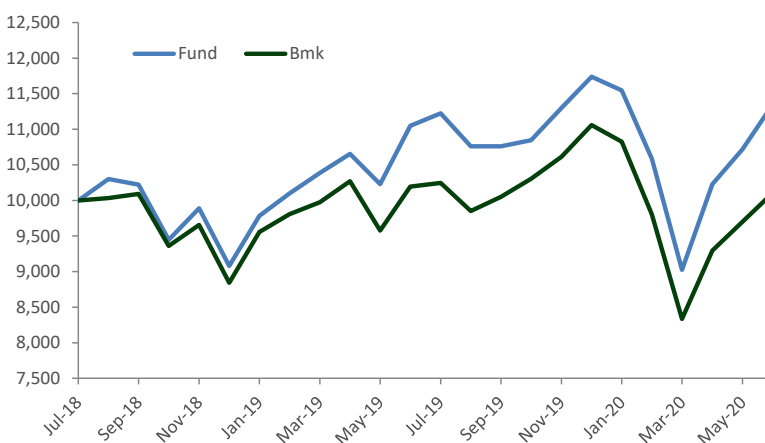
- The fund ended the quarter up 25.7%, 4.5% ahead of the benchmark.
- Bio-Techne, Amazon and SVB Financials positively contributed to performance.
- Compass, TJX Companies and AIA were negative contributors to performance.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	5.85%	25.73%	2.68%			
Benchmark <sup>2</sup>	4.18%	21.24%	-0.88%			
Retail <sup>3</sup>	4.27%	22.48%	0.50%			

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

## 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.

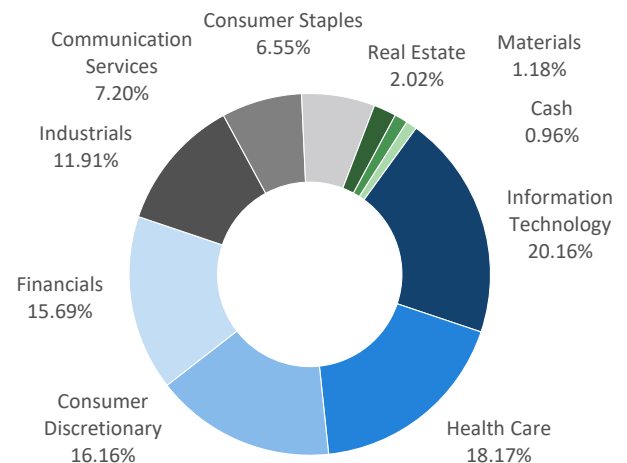
## Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth with currency exposure created as a consequence of global equity investment hedged to NZD.

## Objective

The fund aims to outperform the benchmark, gross hedged 139% to NZD return by 3% per annum before fees, expenses and taxes over a rolling three year period.

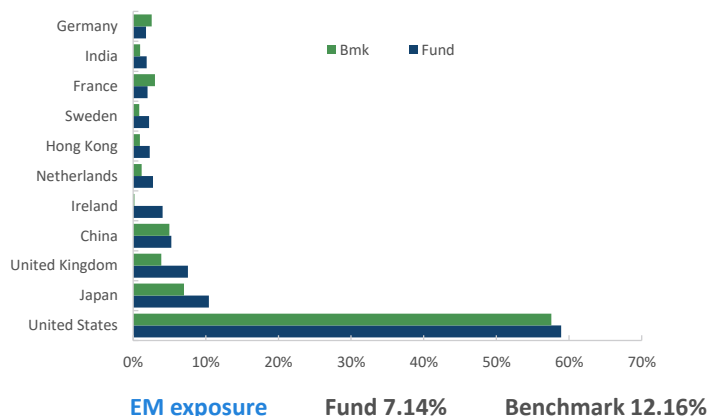
## Asset Allocation



## Top 10 Holdings

	Fund	MSCI	Country
Microsoft Corporation	5.62	3.09	US
Amazon.com, Inc.	5.38	2.45	US
LHC Group, Inc.	3.74	0.00	US
Tencent Holdings Ltd.	3.72	0.77	China
Nintendo Co., Ltd.	3.47	0.10	Japan
Accenture Plc Class A	3.31	0.29	US
Progressive Corporation	3.12	0.10	US
Adobe Inc.	3.05	0.44	US
Sony Corporation	3.00	0.18	Japan
Laboratory Corporation	2.95	0.03	US

## Geographical Allocation



## Market Commentary

Global equity markets climbed almost 10% 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. Economic indicators have continued to show some improvement, albeit from distressed 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 challenged one, even for countries with relatively sophisticated testing infrastructure. Gold has continued to remain in favour in June as central banks have continued to inject liquidity into the global financial system in an attempt to make sure that the current recession does not morph into anything more enduring. Information Technology was the best performing sector in the market this quarter, followed by Consumer Discretionary and valuations for these growth leaders have continued to re-rate higher. Defensive sectors all underperformed. Utilities and Consumer Staples have been the weakest performers in Q2 but Real Estate and Healthcare also underperformed.

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

The portfolio outperformed its benchmark over the quarter. Holdings with a notable impact on returns include **Bio-Techne**, who has enjoyed a good quarter after strong results at the end of April. These showed extremely strong organic growth in its core products for Life Sciences research. **Amazon** has continued to perform very strongly this quarter, after outperforming nicely in March too. With markets staging a meaningful rebound in April, financial shares staged something of a recovery and **SVB Financials** participated in this. Stocks which negatively impacted returns included **Compass**, **TJX Companies** and **AIA**. Compass underperformed this quarter. Its high exposure to out of home consumption on food continues to pressure the share price as investors fear offices, sports stadia and the education sector will remain closed for longer than anticipated with new coronavirus cases increasing again. TJX Companies saw profit taking over the period after its recent recovery. The catalyst was renewed concern over the speed with which the US economy could safely reopen as cases of coronavirus began to rise quickly in some states. AIA suffered from renewed geopolitical tensions in Hong Kong as China introduced new laws aimed at avoiding a repeat of the pro-democracy protests that erupted on the island last year and strained Hong Kong’s relationship with the Communist Party in Beijing. (**Bold** denotes stocks held in the portfolio)

## Key Fund Facts

### Distributions

Generally does not distribute.  
Any foreign currency exposure is gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

### 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

Wholesale: negotiated outside of the unit price  
Retail 1.22%, refer to PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07%/0.07%	July 2018	\$101.4m

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

## Contact Us

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