

Factsheet 31 July 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 continued to rise in July, supported by a better than expected earnings season, abundant liquidity and continued expectation of a large fiscal policy intervention by the US, at some stage.
- Best performing sectors this month included Materials, Consumer Discretionary and Information Technology.

Fund Highlights

- The fund returned 3.0% over the month, 122 bps ahead of the benchmark.
- WCM was once again the major driver of the outperformance, while Royal London's return was marginally better than the Benchmark return. During the first half of July we replaced Davis with the Future Quality strategy of Edinburgh-based NAM Europe ("NAM-E") which we feel is a far better fit in the fund from both a quality and ESG perspective.

Performance

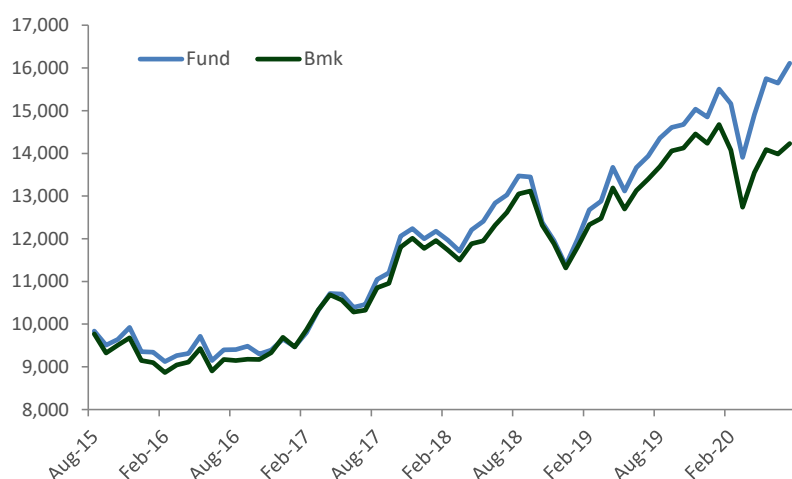
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.97%	8.04%	15.58%	15.49%	10.01%	
Benchmark ²	1.75%	5.00%	6.21%	11.29%	7.31%	
Retail ³	4.10%	5.72%	13.98%	14.31%	8.81%	

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.

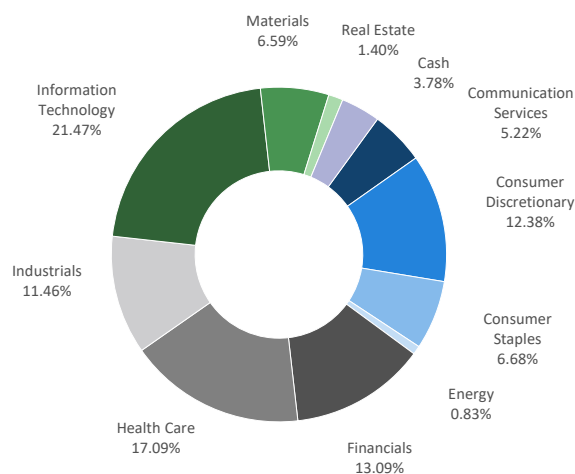
Overview

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	3.23%	2.68%	US
Microsoft Corp	3.09%	2.96%	US
Taiwan Semiconductor	2.80%	0.00%	Taiwan
Visa Inc	2.74%	0.65%	US
Tencent Holdings	2.35%	0.79%	China
Church & Dwight	2.23%	0.05%	US
Shopify Inc	2.11%	0.21%	Canada
Progressive Corp	2.01%	0.11%	US
West Pharmaceutical Services	1.90%	0.04%	US
Mercadolibre Inc	1.83%	0.10%	US

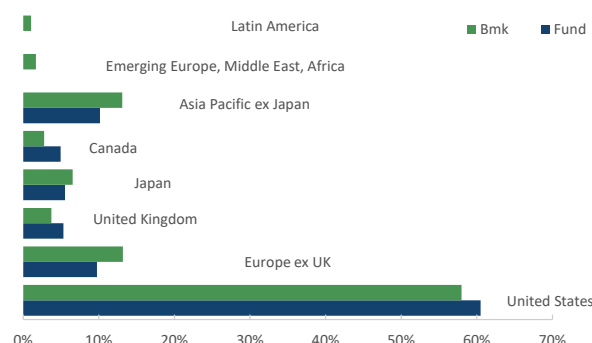
Manager	Allocation	Active Return
Royal London	33.44%	0.05%
Davis	0.01%	-2.06%
WCM	37.23%	2.59%
NAM-E	26.97%	N/A
Cash & Derivatives	2.35%	N/A
What helped	What Hurt	
Taiwan Semiconductor	OW	Apple Inc UW
Church & Dwight	OW	Visa Inc OW
Intel Corp	UW	Eli Lilly OW

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

Market Commentary

Global equity markets continued to rise in July, supported by a better than expected earnings season, abundant liquidity and continued expectation of a large fiscal policy intervention by the US, at some stage. This was more than enough to offset the lingering impact of the coronavirus and renewed tensions between China and the US. The strength of Q2 earnings at technology giants like Apple, Microsoft, Amazon and others was a particularly notable feature. Little wonder that the NASDAQ has continued to go from strength to strength. Economic data has improved in recent weeks in multiple regions, as government support for wages has continued and lock down measures have eased somewhat, allowing the release of some pent-up demand by consumers. Gold has remained in demand as a store of value against both long-term inflationary pressures and the potential debasement of fiat currencies by aggressive central bank policy. The best performing sectors this month included Materials, as commodity prices received support from the weakening US Dollar and hopes built of a sharp rebound in economic activity – helped by a large fiscal stimulus package from the US. Other outperformers included Consumer Discretionary (helped by Amazon) and Information Technology. In both cases, the share price strength was supported by better than expected earnings releases from a variety of index heavyweights. Energy was the weakest sector. Financials and Industrials also underperformed. Banking shares continue to struggle against a backdrop of exceptionally low bond yields and relatively flat yield curves.

Geographical Allocation



EM exposure Fund 8.29% Benchmark 12.52%

Fund Commentary

The fund returned 3.0% over the month, 122 basis points ahead of its benchmark. WCM was once again the major driver of the outperformance with a return of 4.34%, while Royal London's return was marginally better than the benchmark return.

Looking at performance attribution in July, the Fund holds 4 of the top 5 contributors to performance. Taiwan Semiconductor soared 33%, after Intel warned it was behind schedule on manufacturing 7-nanometer chips, and may outsource production of them. In the consumer staples sector, household products maker Church & Dwight also jumped to a fresh high on strong earnings. The high number of new COVID-19 cases in US states is still a major demand driver for overall personal care and hygiene products in the domestic market, and that set the tone for a strong rally in stocks of companies like Church & Dwight, Clorox, Unilever and other peers. The fund's top healthcare holding, West Pharmaceutical Services, best known for injectable pharmaceutical packaging and delivery systems, released better-than-expected quarterly earnings. Moving on to financials, the fund's largest holding in that sector, Progressive Corp had a good month on the back of strong results. In July the fund acquired a new position in Encompass Health, the leading provider of In-house Patient Rehabilitation Facilities (IRFs) in the US and a leading player in home-based healthcare.

During the first half of July we replaced Davis with the Future Quality strategy of Edinburgh-based NAM Europe ("NAM-E") which we believe provides a better fit for the fund from both a quality and ESG perspective.

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 \$277.55m

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

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