

Factsheet 31 July 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 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 ended the month up 5.1%, 45 basis points (bps) ahead of the benchmark.
- SolarEdge, LabCorp and LHC Group positively contributed to performance.
- LivaNova, Nintendo, Prudential and AIA were negative contributors to performance.

Performance

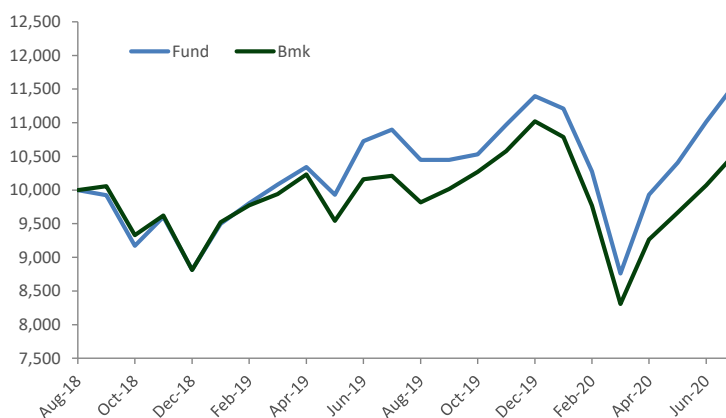
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	5.08%	16.54%	6.22%			
Benchmark ²	4.63%	13.76%	3.20%			
Retail ³	6.61%	15.95%	4.31%			

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.^{1,2}



Investment Manager

The Global Shares Strategy is managed by Nikko AM's Global Equity team that 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.

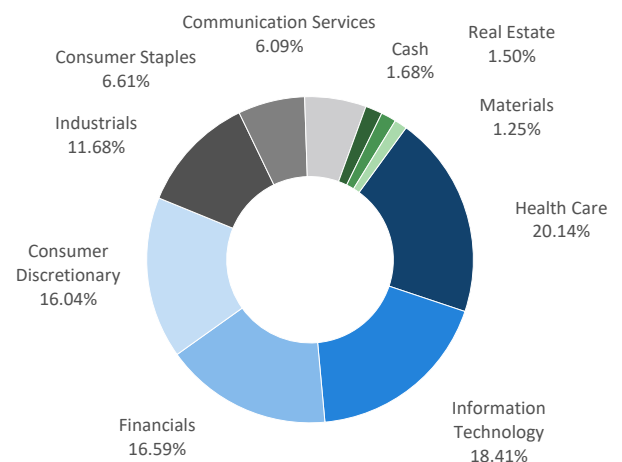
Overview

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.

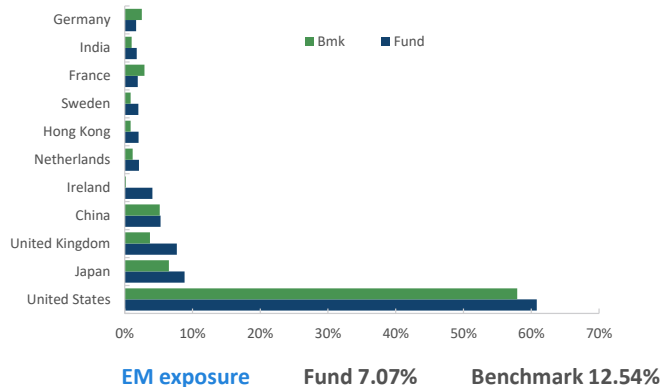
Asset Allocation



Top 10 Holdings

	Fund	MSCI	Country
Amazon.com, Inc.	5.12	2.68	US
Microsoft Corporation	4.96	2.96	US
Tencent Holdings Ltd.	3.69	0.79	China
LHC Group, Inc.	3.39	0.00	US
Progressive Corporation	3.30	0.11	US
Accenture Plc Class A	3.23	0.29	US
LabCorp	3.18	0.04	US
Sony Corporation	3.13	0.19	Japan
Anthem, Inc.	2.77	0.14	US
TJX Companies Inc	2.64	0.12	US

Geographical Allocation



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 lockdown 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.

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

The portfolio outperformed its benchmark over the month. Holdings with a notable impact on returns included **SolarEdge**, who climbed more than 25% this month as investors grew increasingly confident on the growth trajectory of the business, and the solar technology in general. **LabCorp** has benefitted from a surge in testing for the coronavirus, as the US steps up its attempts to deal with the ongoing surge in new infections in the states that had reopened their economies. **LHC Group** outperformed as optimism increased regarding the pace of recovery in home healthcare nursing.

Stocks which negatively impacted returns included **LivaNova**, **Nintendo**, **Prudential** and **AIA**. LivaNova underperformed after Q2 results showed that the recovery in implants of their treatment for epilepsy was lagging other medical procedures. Nintendo has underperformed on mild profit taking, following strength earlier in the year when Nintendo’s gaming business was (rightly) seen as a major beneficiary of the coronavirus lockdown measures. Prudential & AIA suffered from deteriorating sentiment towards their Asian insurance businesses, as the response to the coronavirus continued to put travel restrictions on their sales reps across the region. (**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	\$107.8m

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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