

Factsheet 31 August 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 last month, enjoying their best August since 1986. Abundant liquidity, poor real levels of return from alternative asset classes and an increasing hope that the worst of the economic damage caused by the Coronavirus is now behind us, all helped drive markets higher.
- Best performing sectors this month included Information Technology, Consumer Discretionary and Industrials.

Fund Highlights

- The fund returned 3.7% over the month, 90 bps behind the benchmark.
- All three managers underperformed – not owning Apple and Tesla, which both had large gains in August, explains a large part of the underperformance. While Royal London (-12 bps) and NAM Europe (-30 bps) had marginal underperformance, WCM trailed the Benchmark by a rather significant 202 bps, although it should be seen in context of their very large outperformance of 1967 bps over the calendar year-to-date.

Performance

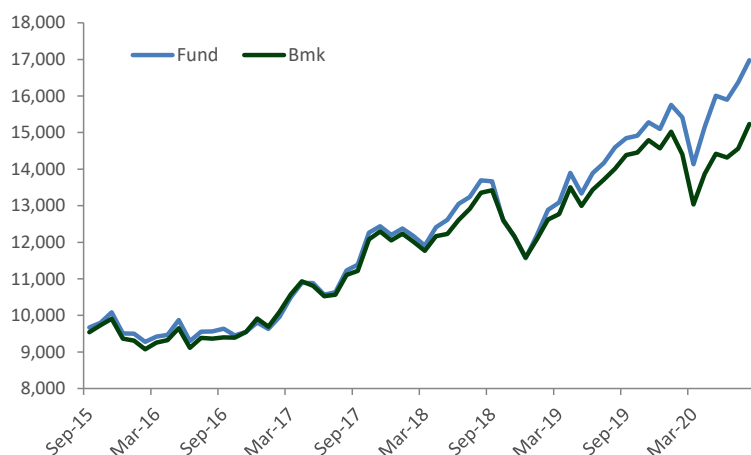
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	3.69%	6.05%	16.32%	14.77%	11.17%	
Benchmark ²	4.59%	5.64%	8.73%	11.11%	8.78%	
Retail ³	3.56%	7.35%	15.36%	14.08%	10.36%	

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.

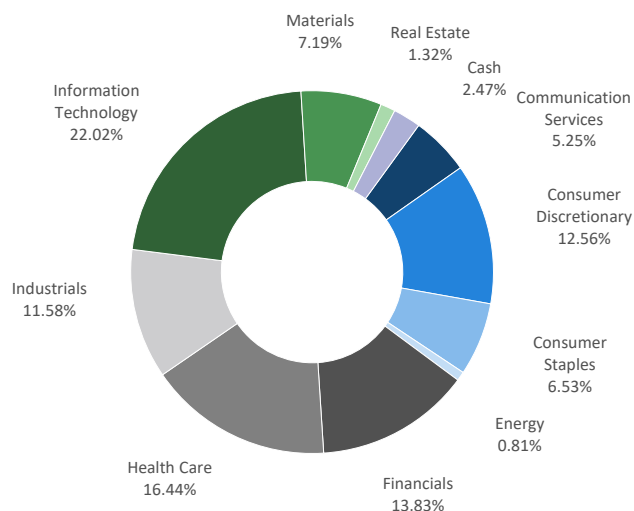
Overview

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	3.45%	2.75%	US
Microsoft Corp	3.33%	3.07%	US
Visa Inc	3.10%	0.68%	US
Taiwan Semiconductor	2.70%	0.00%	Taiwan
Tencent Holdings	2.25%	0.74%	China
Church & Dwight	2.13%	0.04%	US
Shopify Inc	2.11%	0.21%	Canada
Progressive Corp	2.06%	0.10%	US
West Pharmaceutical Services	1.93%	0.04%	US
Mercadolibre Inc	1.82%	0.10%	US

Manager	Allocation	Active Return
Royal London	33.99%	-0.12%
NAM-E	28.80%	-0.37%
WCM	36.60%	-2.02%
Davis	0.00%	-6.35%
Cash & Derivatives	0.61%	N/A

What helped	What Hurt
Solaredge Technologies	OW Apple Inc
Palomar Holdings	OW Tesla
Nintendo	OW Taiwan Semiconductor

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

Market Commentary

Global equity markets continued to rise last month, enjoying their best August since 1986. Abundant liquidity, poor real levels of return from alternative asset classes and an increasing hope that the worst of the economic damage caused by the Coronavirus is now behind us, all helped drive markets higher. The rally has continued even as new infection numbers increase again across several countries. Having staged a partial V-shaped recovery in the early summer, economic data has generally moderated somewhat in recent weeks, albeit at levels far above those seen in April and May. Borrowing costs remain well controlled, however, there is abundant liquidity for those confident enough in their prospects to invest or spend. The Information Technology sector has outperformed again this month and parallels are increasingly being drawn between the current run in the sector and that seen in 1999/2000. Some economically sensitive sectors also outperformed this month, with Consumer Discretionary and Industrials both doing well. Not all cyclical fared so well, however, with Financials, Materials and Energy all failing to keep pace with the market. The Central Bank-suppressed yield curve continues to weigh on banking margins and the oil price remains anchored around \$40 for now, even as some other commodity prices have headed higher. Growth has continued to outperform value as a result. The weakest sectors this month were however, the traditional defensive sectors. Utilities, Healthcare, Real Estate and Consumer Staples all underperformed in August as the bid for earnings safety receded.

Fund Commentary

The fund had a decent month with a return of 3.69% but trailed the Benchmark return of 4.59% by 90 basis points (bps). All three managers underperformed – not owning Apple and Tesla, which both had large gains in August, explains a large part of the underperformance. While Royal London (-12 bps) and NAM Europe (-30 bps) had marginal underperformance, WCM trailed the Benchmark by a rather significant 202 bps, although it should be seen in context of their very large outperformance of 1967 bps over the calendar year-to-date.

Looking under the hood of WCM's performance in August, most of the value detracted was largely a result of negative stock selection in the information technology and consumer discretionary sectors. The main culprits were nil exposures to Apple and Tesla, and overweights to Taiwan Semiconductor, Fair Isaac, Shopify and Tencent. The overweight to the underperforming healthcare sector also detracted value. Among the few positives for WCM, were good stock selection in the financials and healthcare sectors, with names such as AIA Group and Cooper Companies adding value. An overweight to the outperforming information technology sector also made a positive contribution, as did nil exposure to the struggling energy and utilities sectors. NAM Europe's stock picks dominated the list of top performers in August. SolarEdge Technologies jumped almost 20% on the day that it delivered quarterly results that outstripped expectations. Nintendo continued to perform well in August, as demand for the new Switch console continues to outperform expectations – helping the company to post quarterly profits that were almost double investor expectations. Finally Meituan Dianping outperformed again in August as quarterly figures confirmed the strong recovery being seen in meal deliveries in China. There was also more evidence that higher end restaurants were joining the platform, suggesting that delivery is becoming a long term part of the eating out/in solution rather than just something for lockdown.

Key Facts

Distributions

Generally does not distribute

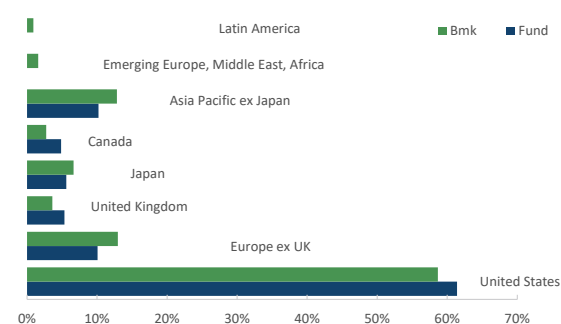
Hedging

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 8.19%

Benchmark 12.07%

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

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