

Factsheet 31 August 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 last month, enjoying their best August since 1986. Abundant liquidity, poor real levels of return, 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

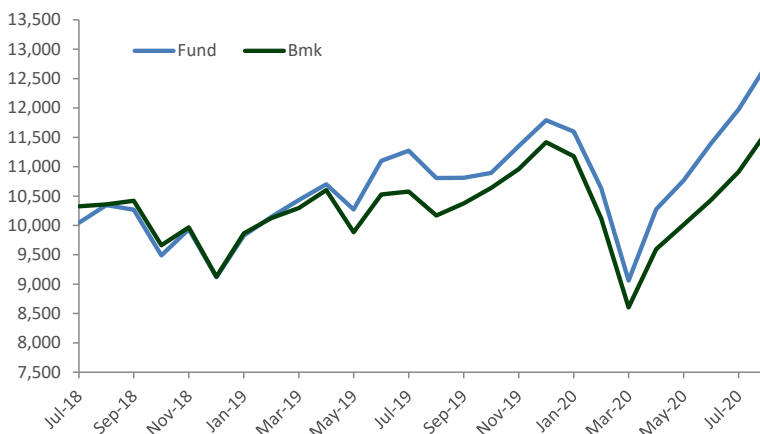
- The fund ended the month up 6.2%, marginally ahead of the benchmark.
- Meituan Dianping, Palomar and SolarEdge positively contributed to performance.
- LabCorp, Bio-Techne and Philips were negative contributors to performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	6.19%	18.11%	17.65%			
Benchmark ²	6.10%	15.65%	13.88%			
Retail ³	5.84%	17.65%	16.31%			

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.

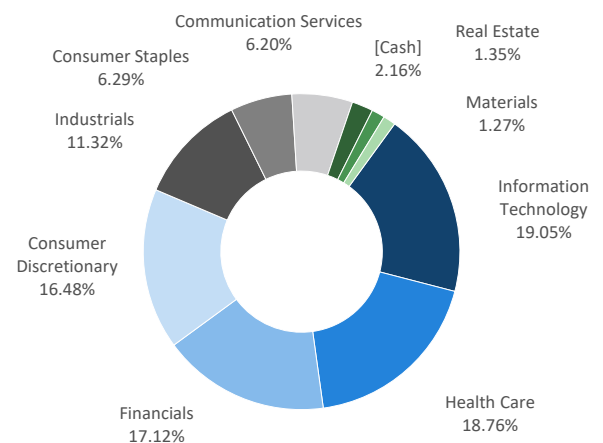
Overview

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.

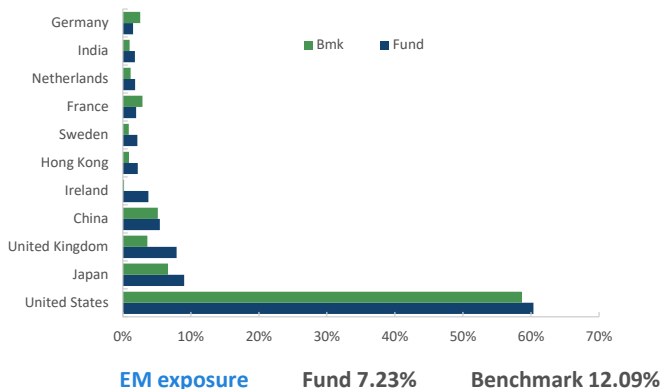
Asset Allocation



Top 10 Holdings

	Fund	MSCI	Country
Amazon.com, Inc.	5.25	2.75	US
Microsoft Corporation	5.13	3.07	US
Tencent Holdings Ltd.	3.45	0.74	China
LHC Group, Inc.	3.41	0.00	US
Progressive Corporation	3.27	0.10	US
Accenture Plc Class A	3.24	0.29	US
Sony Corporation	3.02	0.19	Japan
Adobe Inc.	2.87	0.47	US
Nintendo Co., Ltd.	2.75	0.11	Japan
Laboratory Corporation of America Holdings	2.73	0.03	US

Geographical Allocation



Market Commentary

Global equity markets continued to rise last month, enjoying their best August since 1986. Abundant liquidity, poor real levels of return, 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 cyclicals 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 (all return percentages expressed as unhedged NZD unless otherwise stated)

The portfolio returned 6.2% over the month. Holdings with a notable impact on returns included **Meituan Dianping**, who outperformed again this month as quarterly figures confirmed the strong recovery being seen in meal deliveries in China. **Palomar** delivered strong quarterly results at the beginning of the month, comfortably ahead of expectations, and the share price performed strongly on the back of this. Net premium growth was 59% and new product growth was particularly strong. **SolarEdge** rose almost 20% on the day that it delivered quarterly results that outstripped expectations.

Stocks which negatively impacted returns included **LabCorp**, **Bio-Techne** and **Philips**. LabCorp has underperformed as the number of new COVID-19 infections in the US has started to fall again. With patients only gradually returning to their doctors for more routine health screening, this could lead to slower than expected growth at the Diagnostics part of the business for some time. Bio-Techne failed to keep up with the market, having been seen as one of the big winners of rising investments in life science research earlier in the year. Philips is another healthcare stock that had enjoyed strong demand as a result of the public health response to the virus. The end of the month saw more evidence that this response is now easing off, particularly in some developed markets – with the news that the US Government were partially cancelling an order for additional ventilators. (**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	\$115.3m

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

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

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.