Factsheet 30 September 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

- Despite giving up some ground in September, global equity indices enjoyed a positive third quarter, with the MSCI All Countries World Index climbing more than 5% (NZD, unhedged).
- The consumer discretionary and information technology sectors have been the best performing sectors this quarter. The weakest sectors this quarter were, once again, energy and financials. The oil price has actually been fairly steady in Q3 but this has not stopped oil-related equities underperforming materially.

Fund Highlights

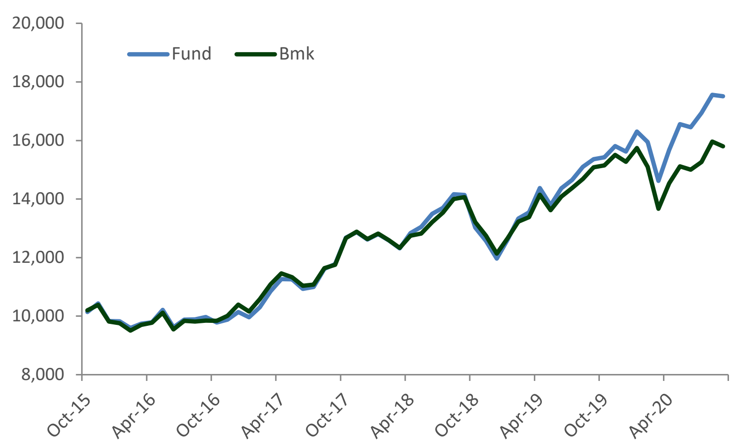
- The fund returned -0.31% over the month, but finished the quarter 113 bps ahead of benchmark at 6.44%, the fourth straight quarter of outperformance.
- Of the underlying managers, WCM performed exceptionally well in Q3, outperforming the benchmark by 245 bps, while NAME also made a strong contribution with outperformance of 154 bps. Royal London's performance was more muted, trailing the benchmark by 48 bps.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale[1]	-0.31%	6.44%	14.00%	14.13%	11.85%	
Benchmark[2]	-1.04%	5.31%	4.77%	10.36%	9.58%	
Retail[3]	-0.64%	7.12%	13.76%	12.98%	11.02%	

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.

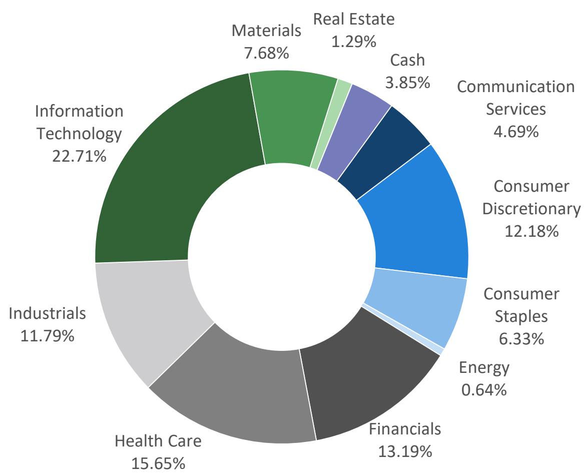
Overview

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	3.30%	2.60%	US
Microsoft Corp	3.19%	2.95%	US
Visa Inc	2.93%	0.66%	US
Taiwan Semiconductor	2.75%	0.00%	Taiwan
Tencent Holdings	2.11%	0.74%	China
Progressive Corp	2.04%	0.11%	US
Church & Dwight	2.00%	0.04%	US
Steel Dynamics	1.63%	0.01%	US
Mercadolibre	1.60%	0.09%	US
Reliance Steel & Aluminum	1.53%	0.00%	US

Manager	Allocation	Active Return
NAME	29.35%	0.85%
Royal London	34.23%	-0.39%
WCM	35.31%	1.73%
Cash & Derivatives	1.10%	N/A

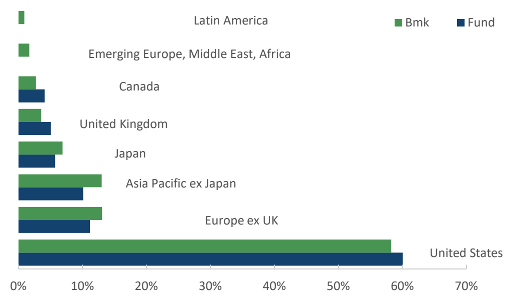
What helped		What Hurt	
Taiwan Semiconductor	o/w	Apple Inc	u/w
SolarEdge Technologies	o/w	Tesla Motors	u/w
Bandai Namco	o/w	Alibaba Group	u/w

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

Market Commentary

Despite giving up some ground in September, global equity indices enjoyed a positive third quarter, with the MSCI All Countries World Index climbing more than 5% (NZD, unhedged). Abundant liquidity, poor real levels of return in alternative asset classes and an increasing hope that the worst of the economic upheaval caused by COVID-19 is behind us all helped drive markets higher - despite persistently high COVID-19 case numbers and elevated political uncertainty ahead of the US Presidential election on 3 November. Although reported infection rates have remained generally well controlled in some countries (most notably China), September has seen a re-acceleration in Europe and the US and the virus has crept back to being the first item on nightly news bulletins. The consumer discretionary and information technology sectors have been the best performing sectors this quarter. With Amazon and Alibaba now representing almost 30% of the consumer discretionary sector, it is little wonder that the returns of the two growth sectors remain reasonably elevated. The combination of strong (COVID-19-proof) revenue growth and exceptionally strong cash flow generation has continued to underpin these stocks throughout most of the quarter. That said, September saw a pause for breath as investors grew increasingly concerned about the valuations that they were being asked to pay for these characteristics. The weakest sectors this quarter were, once again, energy and financials. The oil price has actually been fairly steady in Q3 but this has not stopped oil-related equities underperforming materially. Valuations are yet to provide any support for these stocks, with cleaner energy sources remaining at the vanguard of many investor portfolios. Financials continue to struggle against a backdrop of mounting loan loss provisions and flat yield curves.

Geographical Allocation



EM exposure **Fund 8.21%** **Benchmark 12.39%**

Fund Commentary

The fund provided a return of 6.44% over the quarter to outperform the benchmark by 113 basis points (bps) - the fourth straight quarter of outperformance. Of the underlying managers, WCM performed exceptionally well in Q3, outperforming the benchmark by 245 bps, while NAME also made a strong contribution with outperformance of 154 bps. Royal London's performance was more muted - trailing the benchmark by 48 bps. At the aggregate fund level, sector allocation drove a significant part of the outperformance over the quarter, with the largest contributions made by an underweight to the struggling energy sector and an overweight to the outperforming information technology sector. Underweights to the utilities and real estate sectors, and an overweight to the materials sector also added value, while an overweight to the underperforming healthcare sector detracted value. Stock selection was positive in the financials, healthcare and consumer staples sectors. In those sectors, the fund benefitted from overweights to insurance companies (Progressive Corp, Palomar and Admiral Group), an Indian bank (HDFC Bank), healthcare services (LHC Group) and household products (Church & Dwight). Most of the fund's individual detractors from performance came from the top performing growth sectors such as IT and consumer discretionary. Taiwan Semiconductor, SolarEdge Technologies and Bandai Namco were among the few exceptions in the growth sectors which added value, but underweights to high flying names such as Apple, Tesla Motors and Alibaba Group detracted value. The managers made a number of portfolio changes over the quarter – NAME exited their holding in the Japanese automation company Keyence. New positions were started in Encompass Health and Deere & Co. Deere & Co. Royal London exited their positions in Lloyds Bank, Bayer AG and Raytheon Technologies, to fund purchases of Apple, Ocado plc and UPM Kymmene.

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	$265m

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

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