

NIKKO AM GLOBAL EQUITY HEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Equity Hedged Fund. The Nikko AM Global Equity Hedged Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- After the biggest economic downturn since the Great Depression of the 1930s, and one of the fastest recoveries in equity markets on record, positive news on the COVID-19 vaccine race helped the Dow Jones Industrial Average to record its best calendar month return since 1987.
- The catalyst for the renewed optimism in global markets was positive data regarding the efficacy of COVID-19 vaccines from several drug companies. Although questions remain over the duration of the protection afforded by these drugs and logistics may prove challenging, the data was extremely positive, suggesting over 90% protection. This allowed investors to continue repositioning portfolios for a return to normal, buying stocks that had endured material demand destruction as a result of the virus and associated economic lockdowns.

Fund Highlights

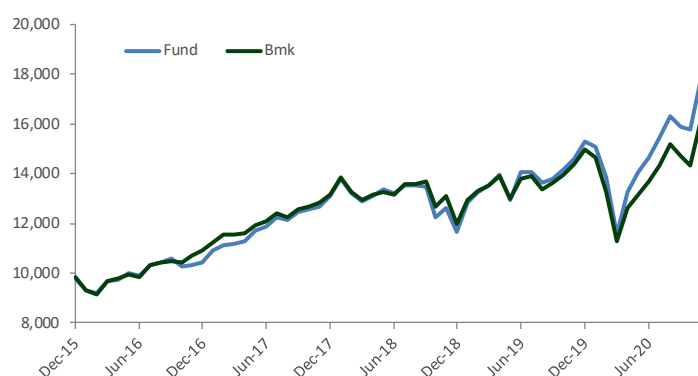
- The fund returned 12.73% in November slightly behind the index by 22 basis points (bps). A 6% surge in the New Zealand dollar against the US dollar put a brake on returns for unhedged domestic investors in global equities.
- NAM Europe and WCM, which both have a quality growth bias, underperformed over the month, while Royal London outperformed owing to their value factor exposure.

Performance

| | One month | Three months | One year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale ¹ | 12.73% | 9.15% | 22.14% | 11.93% | 12.22% | |
| Benchmark ² | 12.95% | 6.31% | 12.36% | 7.98% | 10.09% | |
| Retail ³ | 12.26% | 9.47% | 20.50% | 10.68% | 11.29% | |

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.

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.

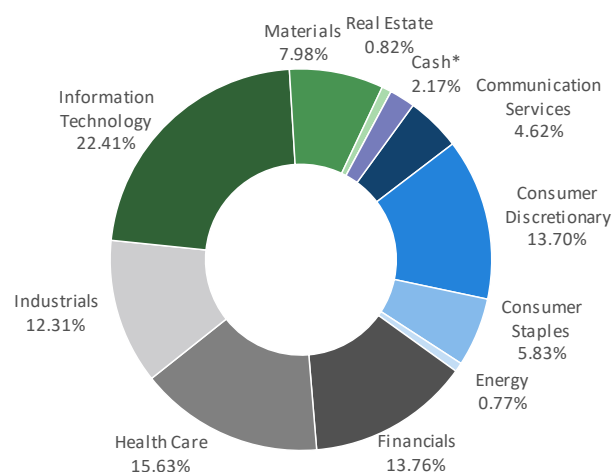
Overview

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 gross hedged at 139% to NZD.

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 | 3.04% | 2.39% | US |
| Microsoft Corp | 2.99% | 2.74% | US |
| Visa Inc | 2.78% | 0.63% | US |
| Taiwan Semiconductor | 2.43% | 0.74% | Taiwan |
| Tencent Holdings | 2.13% | 0.74% | China |
| Mercadolibre Inc | 2.03% | 0.12% | US |
| HDFC Bank | 1.82% | 0.00% | India |
| Safran SA | 1.78% | 0.08% | France |
| Steel Dynamics Inc | 1.70% | 0.01% | US |
| Reliance Steel & Aluminum | 1.70% | 0.00% | US |

| Manager | Allocation | Active Return |
|--------------------|------------|---------------|
| NAME | 29.75% | -2.57% |
| Royal London | 34.90% | 0.80% |
| WCM | 34.75% | -0.68% |
| Cash & Derivatives | 0.60% | N/A |

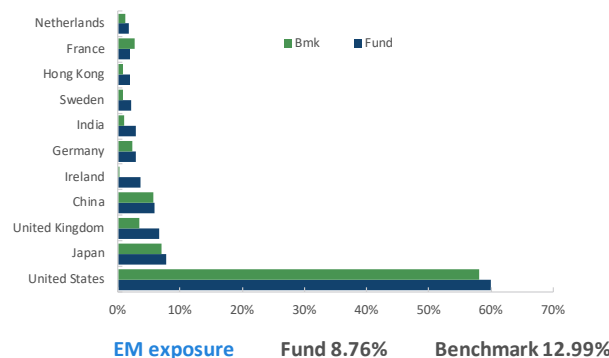
| What helped | What Hurt |
|---------------|------------------------|
| Alibaba Group | NH Progressive Corp OW |
| Safran SA | OW Tencent Holdings OW |
| Apple Inc | UW Church & Dwight OW |

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

Market Commentary

After the biggest economic downturn since the Great Depression of the 1930s, and one of the fastest recoveries in equity markets on record, positive news on the COVID-19 vaccine race helped the Dow Jones Industrial Average to record its best calendar month return since 1987. In November the index rose 12.1% (USD total return). This was slightly better than the 11.2% return in April this year, when markets bounced from deeply oversold levels. From a global perspective, the MSCI All Countries World Index (“ACWI”) had a total return of 12.3% (USD) in November, which translates to 5.63% (NZD, unhedged) for NZ investors. A 6% surge in the New Zealand dollar against the US dollar put a brake on returns for unhedged domestic investors in global equities. The catalyst for the renewed optimism in global markets was positive data regarding the efficacy of COVID-19 vaccines from several drug companies. Although questions remain over the duration of the protection afforded by these drugs and logistics may prove challenging, the data was extremely positive, suggesting over 90% protection. This allowed investors to continue repositioning portfolios for a return to normal, buying stocks that had endured material demand destruction as a result of the virus and associated economic lockdowns. A somewhat calmer geopolitical picture has also tentatively emerged during the month. The prospect of an orderly transition of the US Presidency increased with the news that the Trump campaign had lost several court actions claiming voting irregularities. This month’s events accelerated a trend that has already been in place for a few months with cyclical sectors such as industrials and materials having been outperforming for several months now. The combination of less incremental bad news on COVID-19 and increasingly evident monetary support had already supported these parts of the market. The vaccine news further emboldened investors, allowing them to creep further along the risk curve (and down the quality curve), into sectors with the most to gain from a full economic normalisation. The best performing sectors were energy and financials. Within financials, banks were the strongest performers. All of the traditional defensive sectors underperformed this month, with the bid for safety receding meaningfully. Utilities fared worst, but healthcare, consumer staples and real estate all failed to keep pace with the market.

Geographical Allocation



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

The fund returned 12.73% in November to trail the index by 22 basis points (bps). Although this was a mildly disappointing result in relative terms, the fund has had an excellent calendar-year-to-date, with a return of 17.28% compared to the Index return of 7.84%. NAM Europe and WCM, which both have a quality growth bias, underperformed over the month, while Royal London outperformed owing to their value factor exposure. Royal London’s positive result also helped to limit the relative underperformance at the aggregate fund level, where the top detractors from performance were the insurance companies Progressive Corp and Palomar Holdings, the Chinese interactive media company Tencent, the US household products maker Church & Dwight, and the healthcare services provider LHC Group. On the positive side, value was added by overweights to the French aircraft parts manufacturer Safran and the Argentine internet retailer Mercadolibre. Nil exposure to Alibaba Group and Facebook, as well as an underweight exposure to Apple, also added value, as technology stocks in general underperformed over the month.

Key Facts

Distributions

Generally does not distribute

Hedging

Any foreign currency exposure is gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

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: 1.43%, refer PDS for more details

Buy / Sell spread: 0.07% / 0.07%
Strategy Launch: October 2008
Strategy size: \$108m

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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