

Factsheet 30 November 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

- 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

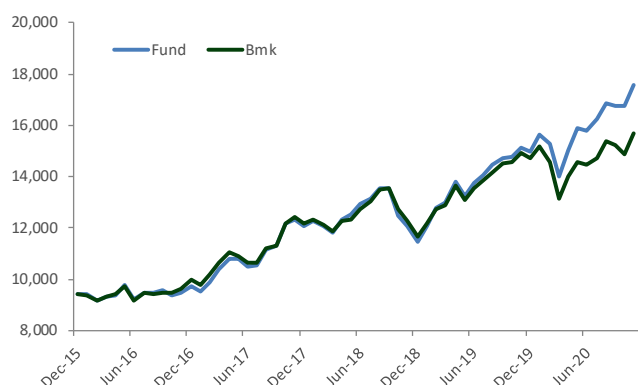
- The fund returned 4.85% in November to trail the index by 78 basis points (bps). Although this was a mildly disappointing result in relative terms, the Fund has had an excellent calendar-year-to-date, with a return of 17.20% compared to the Index return of 6.65%.
- NAM Europe and WCM, which both have 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	4.85%	4.25%	15.82%	12.47%	11.91%	
Benchmark ²	5.63%	2.00%	5.04%	8.13%	9.42%	
Retail ³	4.25%	3.90%	13.86%	11.48%	10.55%	

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.

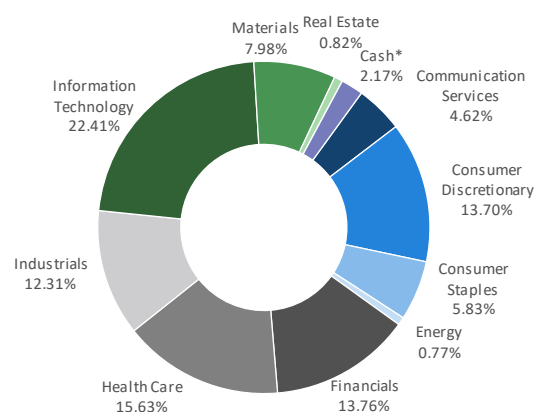
Overview

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	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. 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.

Fund Commentary

The fund returned 4.85% in November to trail the index by 78 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 17.88% compared to the Index return of 7.52%. 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

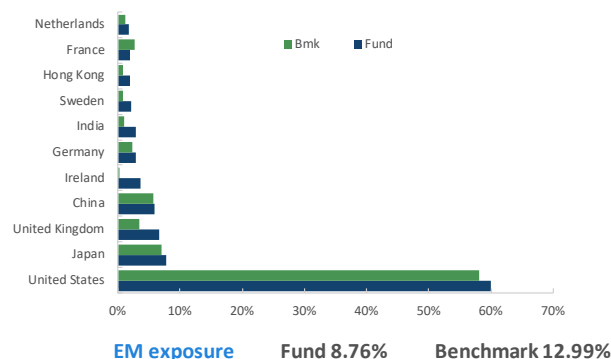
Hedging

Any foreign currency exposure is unhedged.

Exclusions

Any security that conduct activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009 and tobacco manufacturers.

Geographical Allocation



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

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