

# NIKKO AM GLOBAL SHARES UNHEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Shares Fund. The Nikko AM Global Shares Fund (retail) and Nikko AM KiwiSaver Scheme Global Shares Fund 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

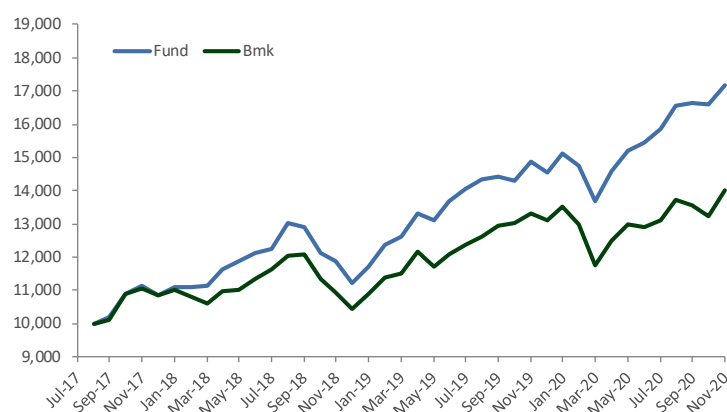
- The portfolio returned 3.38% over the month, behind benchmark.
- Woodward, Encompass Health and TJX positively contributed to performance for the month.
- Palomar, LHC Group and Tecton were amongst the underperformers in the fund during the November.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	3.38%	3.67%	15.59%	15.53%		
Benchmark <sup>2</sup>	5.63%	2.00%	5.04%	8.13%		
Retail <sup>3</sup>	3.13%	3.85%	14.61%	14.46%		
KiwiSaver <sup>3</sup>	3.11%	3.81%	14.58%			

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.

## Since Inception Cumulative Performance (gross), \$10,000 invested.<sup>1,2</sup>



## 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.

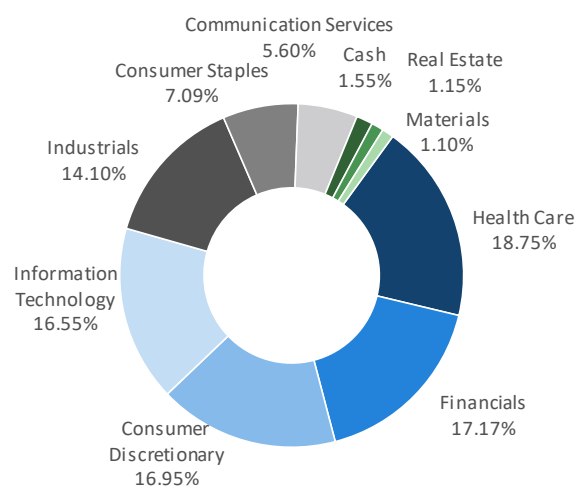
## Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth.

## Objective

The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

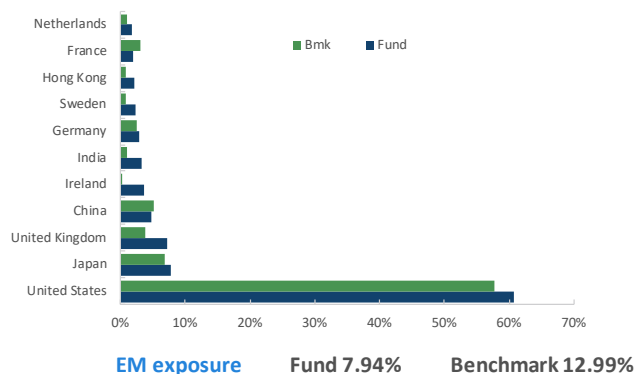
## Asset Allocation



### Top 10 Holdings (%)

	Fund	MSCI	Country
Microsoft Corporation	4.49	2.74	US
Amazon.com, Inc.	4.44	2.39	US
Tencent Holdings Ltd.	3.37	0.74	China
Sony Corporation	3.30	0.21	Japan
HDFC Bank Limited	3.19	0.00	India
Accenture Plc Class A	3.10	0.28	US
Encompass Health Corporation	3.09	0.00	US
SVB Financial Group	3.04	0.03	US
Coca-Cola Company	2.96	0.37	US
HelloFresh SE	2.95	0.00	Germany

### Geographical Allocation



### 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 New Zealand 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 3.38% for the month, behind benchmark. Positives for the portfolio included **Woodward** which outperformed on the back of better-than-expected quarterly result, with aerospace sales and earnings above consensus estimates, helping to offset weaker industrial sales. **Encompass Health** benefitted this month from increased clarity around the effectiveness and timing of a Covid-19 vaccine. Increased demand for elective surgical procedures **TJX** benefitted from decent Q3 results with inventory balance much more under control and very high traffic trends in home goods. Negatives included **Palomar** succumbed to further profit-taking this month after Q3 results confirmed greater-than-expected insurance losses as a result of natural catastrophes, with four hurricanes having hit the US in the quarter, **LHC Group** which saw its share price fall post Q3 results. This initial negative reaction was driven by concerns around cautious Q4 EBITDA guidance and **Tencent** suffered due to positive news updates on Covid-19 vaccines. As a major working from home winner, the arrival of a vaccine and the potential for life to return to some sort of normality could occur sooner than expected. (**Bold** denotes stocks held in the portfolio)

Key Fund Facts	
<b>Distributions</b>	<b>Estimated annual fund charges (Incl. GST)</b>
Generally does not distribute	Wholesale: negotiated outside of the unit price
<b>Hedging</b>	Retail: 1.22%, refer PDS for more details
Any foreign currency exposure is unhedged.	KiwiSaver: 1.15%, refer PDS for more details.
<b>Exclusions</b>	<b>Buy / Sell Spread</b>
Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.	0.07%/0.07%
<b>Restrictions</b>	<b>Strategy Launch</b>
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 our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .	July 2017
	<b>Strategy size</b>
	\$320.5m

### Compliance

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

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