

Factsheet 31 December 2020

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

- Global equity markets continued to push higher into year-end, buoyed by an extremely favourable liquidity environment and rising optimism regarding the extent of economic recovery likely in 2021.
- Governments across the world are rushing to administer vaccines for the coronavirus and this has allowed investors to look through the current deterioration in newsflow regarding the pandemic.
- Energy and Financial sectors were the best performers for the quarter, with Defensive sectors underperforming fairly consistently this quarter - particularly Healthcare, Consumer Staples, Real Estate and Utilities.

Fund Highlights

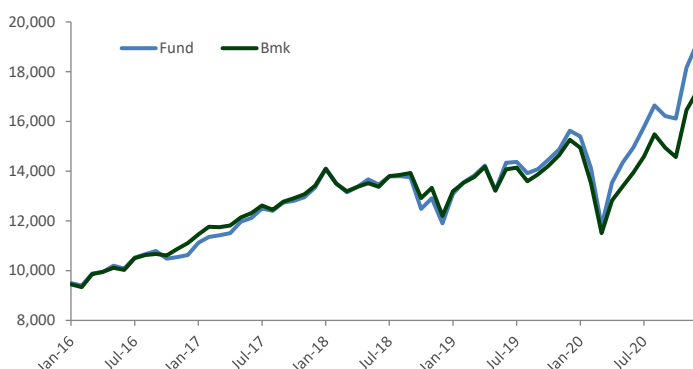
- The fund returned 5.27% for the month and 17.95% over the quarter to outperform the Index. All three managers gained more than 7% over the quarter
- Among the Fund's top contributors to performance over the quarter were the South American online retailer Mercadolibre (WCM's top holding), Taiwan Semiconductor, HDFC Bank and SVB Financial Group.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	5.27%	17.95%	22.41%	12.74%	13.85%	
Benchmark ²	4.45%	15.02%	12.63%	8.62%	11.45%	
Retail ³	4.20%	17.79%	20.61%	11.16%	12.58%	

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) 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.

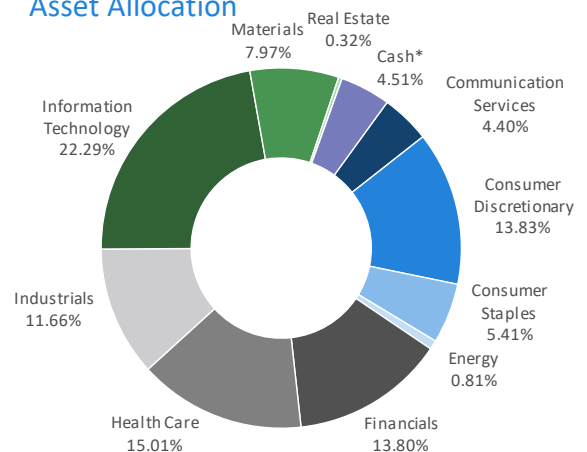
Overview

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
Microsoft Corp	3.33%	2.70%	US
Amazon.com	3.13%	2.34%	US
Visa Inc	2.64%	0.62%	US
Taiwan Semiconductor	2.41%	0.78%	Taiwan
Progressive Corp	1.85%	0.10%	US
Tencent Holdings	1.85%	0.71%	China
Anglo American plc	1.80%	0.07%	SA
Steel Dynamics Inc	1.74%	0.01%	US
Safran SA	1.73%	0.08%	France
Mercadolibre Inc	1.73%	0.13%	US

Manager	Allocation	Active Return
NAM Europe	31.48%	1.92%
Royal London	36.66%	2.06%
WCM	29.00%	2.14%
Cash & Derivatives	2.85%	N/A

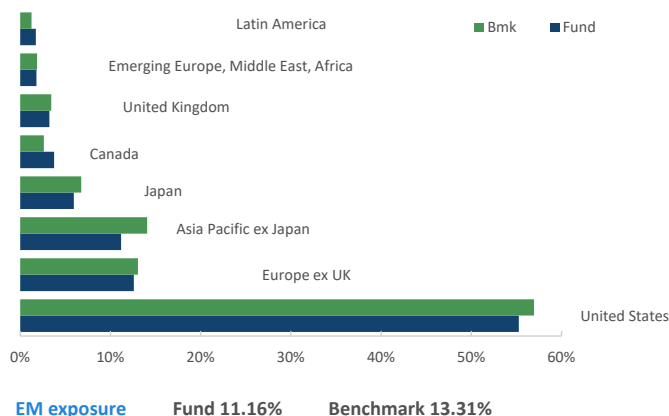
What helped	What Hurt
Mercadolibre Inc	OW Progressive Corp
Taiwan Semiconductor	OW Visa Inc
HDFC Bank	OW McCormick & Co

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

Market Commentary

Global equity markets continued to push higher into year end, buoyed by an extremely favourable liquidity environment and rising optimism regarding the extent of economic recovery likely in 2021. Governments across the world are rushing to administer vaccines for the coronavirus and this has allowed investors to look through the current deterioration in newsflow regarding the pandemic. News of several virus mutations emerged throughout the quarter and newly recorded infections surged higher. Restriction on mobility have been stepped up in an attempt to contain the spread and mitigate the pressure on healthcare workers. The hope is that these measures will buy enough time for the vaccines to offer a measure of protection to those most at risk from the virus. November saw 'Pfizer Monday', when news first broke regarding the encouraging efficacy of the vaccine developed by Pfizer and BioNTech. This news led to a sharp rebound in investor confidence. Materials and Financials, both outperformed again in December and were among the best performing sectors in Q4. Industrials fared less well in December, reflecting higher investor expectations for the sector, though the sector still outperformed over the quarter. Energy also slightly underperformed in December, despite the ongoing depreciation of the USD against its trading partners and continued positivity regarding commodity prices. November's strength, however, meant that Energy vied with Financials for the best performer in Q4. The main reason why December looked more like the rest of 2020 than November was found in the performance of the Information Technology sector. Having served as a source of funds for more cyclical investments in November, the Technology sector enjoyed a much better December, easily outperforming the market and rivalling Materials for the best performing sector. Defensive sectors underperformed fairly consistently this quarter. Healthcare, Consumer Staples, Real Estate and Utilities all failed to keep up with the market, with Real Estate, Healthcare and Consumer Staples actually delivering negative returns in absolute terms.

Geographical Allocation



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

The fund returned 5.27% for the month and 17.95% over the quarter to outperform the Index. All three managers gained more than 7% over the quarter. Among the Fund's top contributors to performance over the quarter were the South American online retailer Mercadolibre (WCM's top holding), Taiwan Semiconductor, HDFC Bank and SVB Financial Group. HDFC Bank benefitted from better than expected quarterly results and from signs that the Indian economy may have seen the worst of the impact from COVID-19. SVB Financial Group also performed strongly over the quarter. Whilst most banks are being impacted by ultra-low interest rates and lighter-than-usual demand for commercial loans, SVB continues to lend heavily to the venture capitalist community through capital call lines of credit, which offer higher interest rates. The fund continues to hold a combination of cyclicals and reasonably priced growth stocks, all of which we expect to deliver rising returns. With considerable uncertainty regarding the duration of some of the recent market moves, we believe that this balance will remain important going forward.

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

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

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