

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

- Global equity markets continued to rise in the first quarter of 2021, with the MSCI All Countries World Index (ACWI) climbing 7.51% (NZD, unhedged).
- Bond yields rose steadily over the course of the quarter.
- Although healthcare, utilities and consumer staples underperformed over the quarter, there was some evidence of investor interest in stable growth parts of the market in March, as relative valuations have begun to look more interesting in recent months.
- One of the best performing major regions this quarter was the US, helped by rising hopes of a fiscal stimulus package being passed by Congress. The UK also outperformed, driven by the country's relatively well advanced COVID-19 vaccination programs and hopes for economic reopening.

Fund Highlights

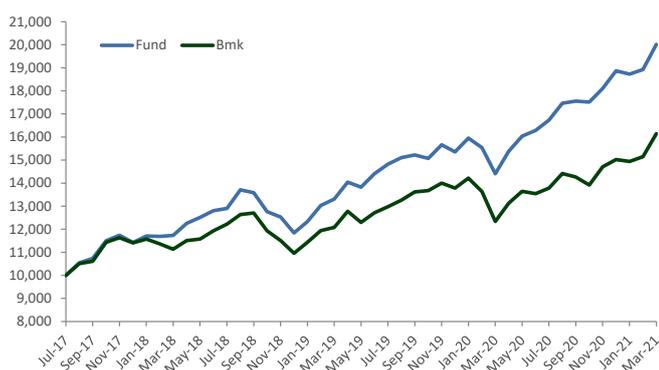
- For the quarter ending March, the portfolio underperformed the index by 1.45%, with the portfolio returning 6.06% and the MSCI All Country World Index returning 7.51%.
- **Deere & Company, SVB Financial Group and LabCorp** added value to the portfolio over the quarter.
- **Palomar Holdings, Inc., Kerry Group Plc Class A and LHC Group, Inc.**, detracted value over the quarter.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	5.76%	6.06%	38.89%	19.47%	
Benchmark ²	6.59%	7.51%	30.87%	13.18%	
Retail ³	6.13%	5.60%	38.07%	18.16%	
KiwiSaver ³	6.26%	5.74%	38.29%	18.20%	

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.^{1,2}



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.

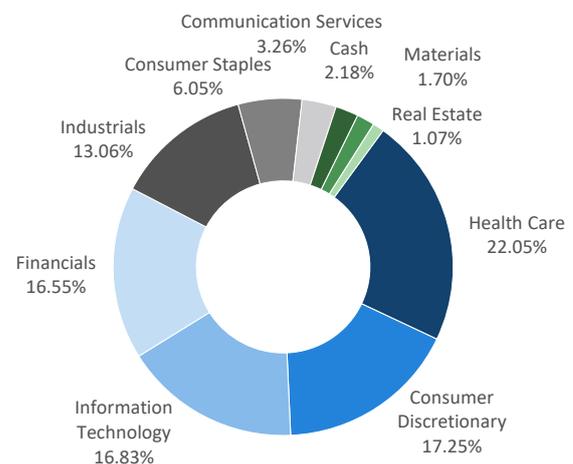
Overview

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.

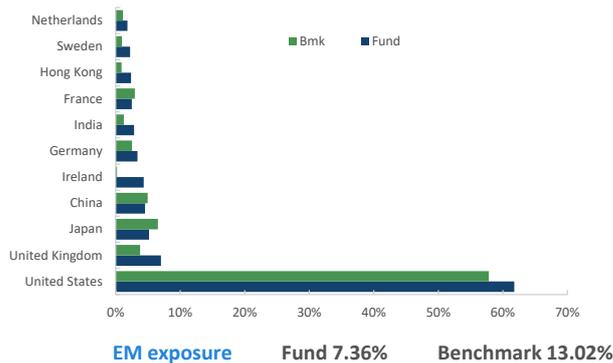
Asset Allocation



Top 10 Holdings (%)

	Fund	MSCI	Country
Microsoft Corporation	5.09%	2.74	US
Amazon.Com, Inc.	3.82%	2.13	US
Sony Corporation	3.29%	0.21	Japan
Tencent Holdings Ltd	3.24%	0.73	China
Laboratory Corp of America	3.23%	0.04	US
HelloFresh SE	3.19%	0.02	Germany
Compass Group	3.11%	0.06	UK
Accenture Plc	3.09%	0.28	US
Livanova Plc	3.08%	0.00	US
Aon Plc LE	2.99%	0.09	US

Geographical Allocation



Market Commentary

Global equity markets continued to rise in the first quarter of 2021, with the MSCI All Countries World Index (ACWI) climbing 7.51% (NZD, unhedged). The main driver was the view that only equities will offer attractive returns against a backdrop of rising inflation expectations. Bond yields rose steadily over the course of the quarter. The picture within defensive sectors was less black and white towards quarter end. Although healthcare, utilities and consumer staples underperformed over the quarter, there was some evidence of investor interest in stable growth parts of the market in March, as relative valuations have begun to look more interesting in recent months. Consumer staples outperformed consumer discretionary for the first time in a year. Real estate and utilities also outperformed in March. The information technology sector lagged the market as investors weighed the sector’s valuation relative to its growth in comparison to other sectors. Looking below the sector level, there was continued evidence of a bid for relative cyclical, with semiconductor stocks outperforming software and services – helped by Intel’s announcement of a major capital expenditure program, attempting to close their technology gap with Taiwan Semiconductor. One of the best performing major regions this quarter was the US, helped by rising hopes of a fiscal stimulus package being passed by Congress. The UK also outperformed, driven by the country’s relatively well advanced COVID-19 vaccination programs and hopes for economic reopening. Most other major regions marginally underperformed with Emerging Markets in Asia suffering after strong recent performance – likely undermined by the appreciation of the US dollar noted above. Europe ex UK also underperformed, although it did improve slightly in March. Although domestic economic growth will likely be depressed for a (hopefully) short time by ongoing lockdown measures introduced to control the spread of COVID-19, the region is a significant beneficiary of rising expectations for global economic growth.

Fund Commentary

Holdings with a notable impact on returns during the quarter included the following: **Deere** rose 10% after publishing results that easily outstripped investor expectations. The strength in revenue growth and profit margins was widespread across the business, with both agricultural and construction businesses growing more than 20% on last year. **SVB Financial** outperformed on the back of better-than-expected results and positive sentiment towards banking shares, as bond yields rose. **LabCorp** also outperformed as it became clearer that the emergence of new mutations of the coronavirus would require a rigorous testing regime in the US for longer than originally expected. Negatives to the portfolio included the following: **Palomar** suffered from increasing fears over the short-term impact of a bad Q1 storm season on their natural disaster catastrophe-related losses. **Kerry Group** fell after a short seller attack on the company, claiming that the management team have used accounting methods to overstate the benefits of previously made acquisitions. **LHC Group** fell as investors continued to sell growth stocks, to invest in more cyclical sectors like energy and financials. (all return percentages expressed as unhedged NZD unless otherwise stated)

Key Fund Facts

Distributions

Generally does not distribute.

Exclusions

Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.

Restrictions

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 on our website <https://www.nikkoam.co.nz/invest/retail>.

Estimated annual fund charges

Wholesale: negotiated outside of the unit price
 Retail 1.22%, refer to PDS for more details
 KiwiSaver 1.15% refer to PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07%/0.07%	July 2017	\$400.5m

Compliance

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

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