

Factsheet 31 May 2021

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

- Global equity markets continued to rise in May, though the gains were more limited in nature than in recent months. Bond yields similarly consolidated recent gains, rather than pushing higher still. Although economic data has remained generally firm, the rate at which it is (positively) surprising has slowed somewhat in recent months, particularly in the US
- May saw China become a bit more assertive in its attempts to control commodity prices. Increasing focus has been placed on the role of financial speculation on recent sharp gains in prices from copper to iron ore and has prompted the NDRC to announce that it will strengthen price controls in these markets during its next 5-year plan.
- Commodity-driven sectors of the equity market resumed leadership this month, with both the Energy and Materials sectors posting strong gains. Financials also outperformed, despite less support from the US yield curve. Within the cyclical parts of the market, Consumer Discretionary delivered the weakest performance of any sector in May.

Fund Highlights

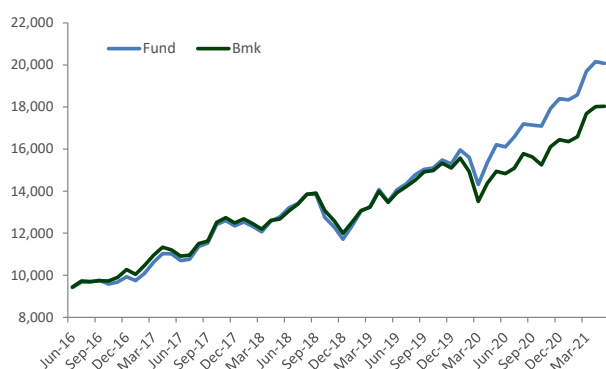
- The fund returned -0.42% in May to trail the benchmark. Value/Growth leadership once again changed from the previous month, although Value is having the upper hand over the first five months of 2021.
- The underlying managers had mixed fortunes in May, with NAME (-1.03%) and WCM (-0.79%) both underperforming the benchmark (0.09%) while RLAM (0.42%) was marginally ahead.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-0.42%	8.05%	23.81%	16.25%	14.95%	
Benchmark ²	0.09%	8.69%	20.66%	12.47%	12.51%	
Retail ³	-0.51%	9.62%	25.10%	15.02%	13.73%	

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.

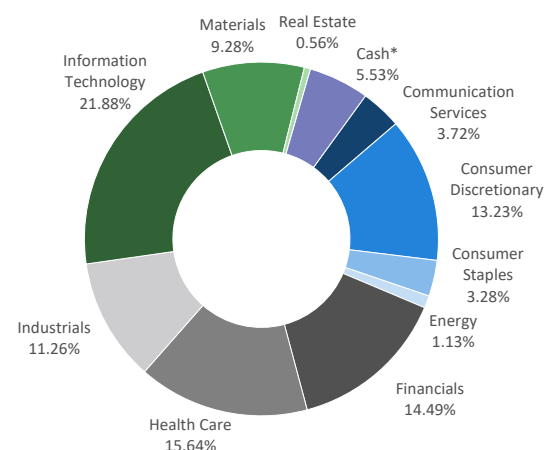
Overview

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	Manager	Allocation	Active Return
Microsoft Corp	3.99%	2.72%	US	NAM Europe	29.80%	-1.20%
Amazon.com	3.04%	2.10%	US	Royal London	43.50%	0.33%
Visa Inc	2.42%	0.59%	US	WCM	24.47%	-0.88%
Progressive Corp	2.17%	0.09%	US	Cash & Derivatives	2.23%	N/A
Taiwan Semiconductor	2.05%	0.81%	Taiwan			
UPM-Kymmene	2.02%	0.03%	Finland			
Anglo American plc	1.84%	0.09%	South Africa			
Reliance Steel & Aluminum	1.82%	0.00%	US			
Constellation Software	1.72%	0.04%	Canada			
HCA Healthcare	1.70%	0.09%	US			

What helped	What Hurt
Steel Dynamics	OW Mercadolibre Inc
Apple Inc	UW Amazon.com
Bridgestone Corp	OW Constellation Software

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

Market Commentary

Global equity markets continued to rise in May, though the gains were more limited in nature than in recent months. Bond yields similarly consolidated recent gains, rather than pushing higher still. Although economic data has remained generally firm, the rate at which it is (positively) surprising has slowed somewhat in recent months, particularly in the US. Markets did not react much to this data. May saw China become a bit more assertive in its attempts to control commodity prices. Increasing focus has been placed on the role of financial speculation on recent sharp gains in prices from copper to iron ore and has prompted the NDRC to announce that it will strengthen price controls in these markets during its next 5-year plan, running from 2021 to 2025. Despite this pause in underlying commodity price appreciation, the commodity-driven sectors of the equity market resumed leadership this month, with both the Energy and Materials sectors posting strong gains. Financials also outperformed, despite less support from the US yield curve.

Within the cyclical parts of the market, only Consumer Discretionary bucked the trend, delivering the weakest performance of any sector in May. Index heavyweights Amazon and Tesla both fell this month. The performance of these stocks was indicative of a renewed outperformance of value relative to growth and this was also evident in the relatively weak performance of the Information Technology sector this month. Although Healthcare slightly outperformed (along with Consumer Staples), it was lower growth sub-sectors like Pharmaceuticals and Hospitals that led the way, rather than traditional growth bellwethers like medtech. In terms of regional returns, Europe outperformed this month – helped by its relatively high weight in cyclical sectors and by the sense that vaccination programmes in the region are finally catching up with the US and the UK. Whilst some, smaller Emerging Markets also fared relatively well (likely fuelled by the depreciation of the USD), GEM Asia underperformed as China's monetary tightening held that region back. The US also underperformed in May, not helped by its relatively high exposure to growth sectors.

Fund Commentary

The fund returned -0.42% in May to trail the Benchmark return of 0.09% by 51 basis points (bps). Value/Growth leadership once again changed from the previous month, although Value is having the upper hand over the first five months of 2021. The underlying managers have had mixed fortunes in May, with NAME (-1.03%) and WCM (-0.79%) both underperforming the Benchmark (0.09%), while RLAM (0.42%) was marginally ahead of the Benchmark. For NAME, their top detractors were Global Payments, Bio-Techne and Dolby Laboratories. On the upside, NAME benefitted from strong gains in the share prices of HelloFresh, HDFC Bank and LKQ Corp. WCM's underperformance was driven by weakness in some of their larger holdings, such as the online retailer MercadoLibre (MELI) and the medtech business Stryker Corp, although strong gains by Wuxi Biologics and HDFC Bank, as well as nil exposure to the underperforming FAANGs added value. RLAM's marginal outperformance in May was driven by their exposure to mature and cyclical businesses, such as Steel Dynamics, Bridgestone Corp, and Reliance Steel & Aluminum. Materials was one of the best performing sectors over the month, while surging steel prices also played a role in boosting the shares of Steel Dynamics and Reliance Steel.

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.

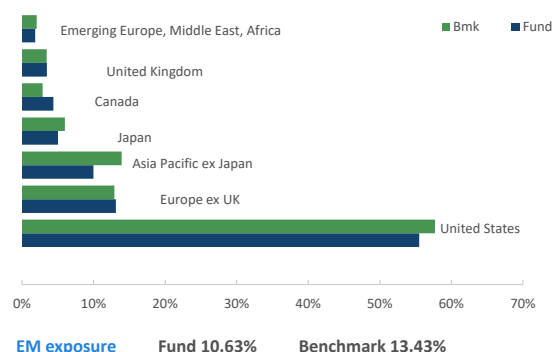
Estimated annual fund charges (Incl. GST)

Wholesale: negotiated outside of the unit price

Retail: 1.42%, refer PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07% / 0.07%	October 2008	\$212.7m

Geographical Allocation



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

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