Factsheet 30 June 2021

NIKKO AM GLOBAL SHARES HEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Shares Hedged Fund. The Nikko AM Global Shares Hedged Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- The MSCI All Countries World Index gained 7.64% (NZD, unhedged) which was its best quarterly result since the second quarter of 2020 (when it soared 9.79%).
- US Federal Reserve commentary indicated inflation could be stronger than expected, a bounce in the US dollar and the realization that the 'Delta' variant is leading to an acceleration in COVID-19 cases across the world, helped accelerate the profit taking in the cyclical cohort.
- Financials suffered over the quarter, as lower yields implied future falling returns across the banking community. The utilities sector was however by far the worst performing sector with a return of -0.2% over Q2.

Fund Highlights

- The fund returned 6.16% for the quarter, 0.71% behind the benchmark of 6.87%
- Holdings with a notable positive impact on returns over the quarter include HelloFresh, Adobe and TransUnion.
- Detractors over the quarter were Sony, HDFC Bank and Phillips.

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 with currency exposure created as a consequence of global equity investment hedged to NZD.

Objective

The fund aims to outperform the benchmark, gross hedged 139% to NZD return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

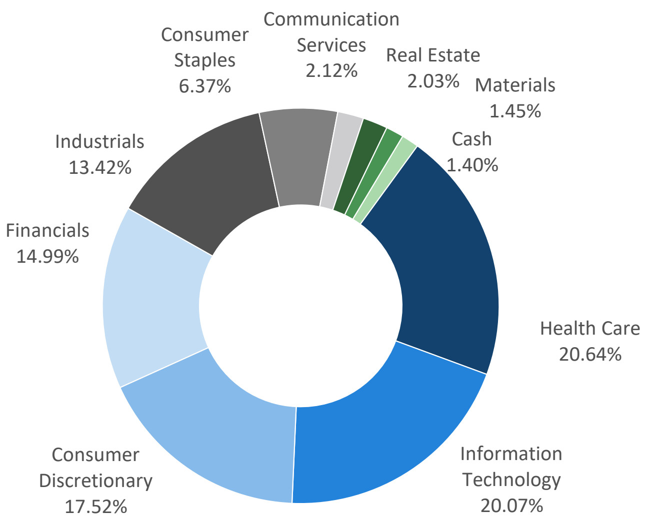
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale[1]	-0.25%	6.16%	42.07%	17.42%	
Benchmark[2]	0.93%	6.87%	38.48%	13.05%	
Retail[3]	0.19%	7.07%	42.95%		

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

Since Inception Cumulative Performance (gross), $10,000 invested.[1,2]

Asset Allocation

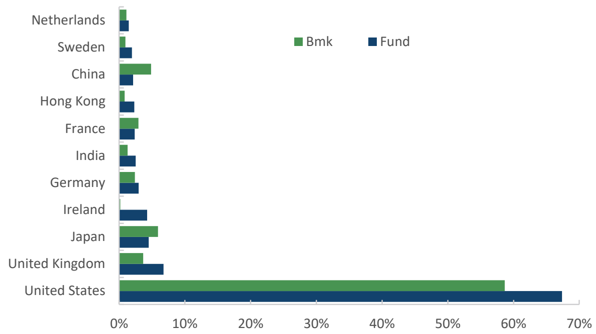


nikko am
Nikko Asset Management

Top 10 Holdings

	Fund	MSCI	Country
Microsoft Corporation	6.01	2.92	US
Amazon.com, Inc.	4.07	2.21	US
Adobe Inc.	3.43	0.42	US
Accenture Plc	3.11	0.28	Ireland
Compass Group Plc	3.07	0.06	UK
HelloFresh	2.98	0.02	Germany
Abbott Laboratories	2.95	0.31	US
Sony Group Corporation	2.92	0.18	Japan
Progressive Corporation	2.88	0.09	US
Carlisle Companies Inc.	2.85	0.00	US

Geographical Allocation



EM exposure **Fund 4.65%** **Benchmark 13.22%**

Market Commentary

For the fifth straight month, global equity markets posted a positive return (in NZD terms). For the quarter the MSCI All Countries World Index gained 7.64% (NZD, unhedged). Investors don't have to look too far beneath the surface to see that there has been significant rotation between sectors and styles over the last few months, and indeed more aggressively in the last month. Despite high valuations and a flattening of the yield curve, growth stocks outperformed in June. The rotation into growth was at the expense of cyclical areas of the market, perhaps suggesting that the easy money from the re-rating in cyclicals is now behind us. US Federal Reserve commentary indicating inflation could be stronger than expected, a bounce in the US dollar and the realization that the 'Delta' variant is leading to an acceleration in COVID-19 cases across the world, helped accelerate the profit taking in the cyclical cohort. On the flip side, financials suffered over the quarter, as lower yields implied future falling returns across the banking community. The utilities sector was however by far the worst performing sector with a return of -0.2% over Q2. Negative real rates and incredibly low absolute rates allowed investors to ignore, in the short term at least, the importance of valuation support. In the longer term, it seems unlikely that the "growth at any cost" playbook, so successful for the last decade, is the best approach for the next.

Fund Commentary

The fund returned 6.16% for the quarter, 0.71% behind the benchmark of 6.87%. Holdings with a notable impact on returns included: HelloFresh, Adobe and TransUnion. The market is starting to recognise that HelloFresh is not just a one-time beneficiary of the pandemic, but instead has several levers at hand to drive sustainable growth longer-term Adobe showed strong revenue growth also dropping through to ongoing profit margin expansion, this generated good earnings upgrades. TransUnion outperformed on the back of a significant recovery in US non-mortgage verticals, as leaders increased customer acquisition efforts and fiscal stimulus boosted large consumer purchase activity. Detractors over the quarter were Sony, who underperformed after recent quarterly results signalled a muted profit growth outlook. HDFC Bank was negatively impacted by the significant surge in COVID19 rates in India over the quarter and, Philips underperformed after announcing an increase to the expected cost of a voluntary product recall in its sleep care business.

Key Fund 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

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

Estimated annual fund charges

Wholesale: negotiated outside of the unit price
Retail 1.20%, refer to PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07%/0.07%	July 2018	$218.6m

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.

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

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