

Factsheet 31 July 2021

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 July, with most global equity indices reaching all-time highs during the month - helped by the ongoing strength in megacap US technology stocks like Microsoft and Apple.
- Information Technology and the Healthcare sector outperformed in July, outperforming defensive sectors where the long-term growth story is less obvious.
- Underperformers this month included Energy, where investors were unnerved by a mid-month fall of almost USD10 in the oil price.

Fund Highlights

- The fund returned 3.15% for July, 2.35% ahead of the benchmark of 0.80%.
- Positive contributors were Kingspan Group, TransUnion and Accenture.
- Detractors to relative performance over July were, Tencent, HelloFresh and Philips.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	3.15%	6.56%	31.57%	19.48%	
Benchmark ²	0.80%	6.51%	27.11%	12.76%	
Retail ³	2.78%	6.04%	29.59%	18.37%	
KiwiSaver ³	2.80%	6.08%	29.86%	19.08%	

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 a 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.

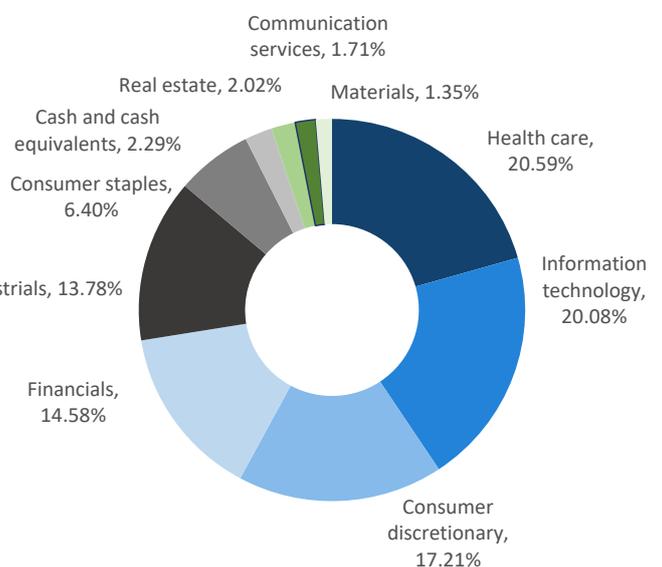
Overview

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.

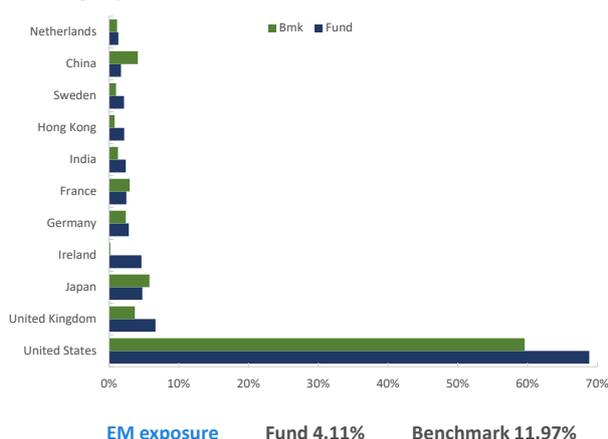
Asset Allocation



Top 10 Holdings (%)

	Fund	MSCI	Country
Microsoft Corp	6.07	3.05	US
Amazon.Com Inc	4.06	2.13	US
Adobe Inc	3.47	0.45	US
Accenture Plc	3.20	0.30	Ireland
Compass Group Plc	3.03	0.06	UK
Sony Corporation	3.00	0.20	Japan
Abbott Laboratories	2.94%	0.32	US
Carlisle Companies Inc	2.88	0.00	US
Livanova Plc	2.85	0.00	UK
Hellofresh SE	2.80	0.02	Germany

Geographical Allocation



Market Commentary

Global equity markets continued to rise in July, with most global equity indices reaching all-time highs during the month, helped by the ongoing strength in megacap US technology stocks like Microsoft and Apple. With bond yields continuing their recent declines in the US, discount rates have fallen too, and investors continued to seek the relative safety of visible growth stocks. The Information Technology sector wasn't only where growth was rewarded last month, as Healthcare also notably outperformed in July, outperforming defensive sectors where the long-term growth story is less obvious. There was renewed strength in the sub-sectors at the heart of the ongoing boom in Life Science research – particularly those providing the tools and services for this. Underperformers this month included Energy, where investors were unnerved by a mid-month fall of almost USD10 in the oil price. The rotation out of high beta sectors likely worked against it as well (Financials also underperformed this month). Consumer Discretionary failed to keep pace with markets, as sector heavyweights like Alibaba were hit by the Chinese regulatory crackdown. The drop in Amazon's share price following its quarterly results at month end also added to the sector's woes.

Fund Commentary

The fund significantly outperformed its benchmark over July. Positive contributors were Kingspan Group, TransUnion and Accenture. Kingspan outperformed on the back of an earnings upgrade for the FY21 last month. Management noted that the strong backlog from Q1 had continued into Q2, indicating further volume and margin upgrades are likely. Transunion outperformed following better-than expected results this month and an upgrade to full year guidance. The company's leading position with fintech lenders contributed to outsized non-mortgage growth in the US. Accenture climbed after strong results at the end of June and increased FY21 guidance, underpinned by sustainable organic demand as well as easy comparisons to pandemic-affected quarters. Detractors over July were, Tencent, HelloFresh and Philips. Tencent was negatively impacted after the company announced on Tuesday that it was suspending new user registration on WeChat in China as it works to comply with relevant laws and regulations. This reflects part of a broader crackdown on tech firms by Chinese regulators. HelloFresh failed to keep pace with the market this month as the shares consolidated strong gains following impressive Q1 results earlier in the year. What is more, the market is anticipating a potential lowering of the AEBITDA margin guidance at Q2 results in a couple of weeks due to investments being pulled forward. However, we see this as a positive as HelloFresh is able to allocate capital to fulfilment expansion, helping it to meet continued strong demand for meal-kits globally. Philips has been impacted negatively after the recall of its CPAP machines for sleep apnoea. The company discovered that the noise cancelling foam used in the devices can degrade over time potentially releasing granules of foam into the device (which could then be inhaled by the patient). There is no record of patient harm at this stage.

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 1.20%, 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 \$494.9m

Compliance

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

Contact Us www.nikkoam.co.nz | nzenquiries@nikkoam.com

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