

Factsheet 31 October 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 edged slightly higher in October, helped by a generally supportive corporate results season and a sense that only equities are likely to offer positive real returns in an inflationary environment. This allowed markets to once again reach near all-time highs, recovering from the profit taking seen at the end of September.
- Yield curves flattened throughout the month, as global bond investors increased bets that Central Banks would be forced into a policy response, in response to strong near-term inflation data.
- All of the other major regional indices underperformed, albeit the underperformance was fairly limited in the case of both Europe and the UK.

Fund Highlights

- The fund returned 1.55% for the month, 0.23% ahead of the benchmark.
- Positive contributors were Microsoft, SolarEdge and Anthem.
- Main detractors were HelloFresh, Encompass Health and LHC Group.

Performance

| | One month | Three months | One year | Three years (p.a) | Five years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|
| Wholesale ¹ | 1.55% | -0.20% | 25.43% | 19.83% | |
| Benchmark ² | 1.32% | 0.73% | 26.77% | 13.94% | |
| Retail ³ | -0.59% | -1.54% | 21.56% | 19.12% | |
| KiwiSaver ³ | -0.59% | -1.54% | 21.83% | 19.74% | |

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.

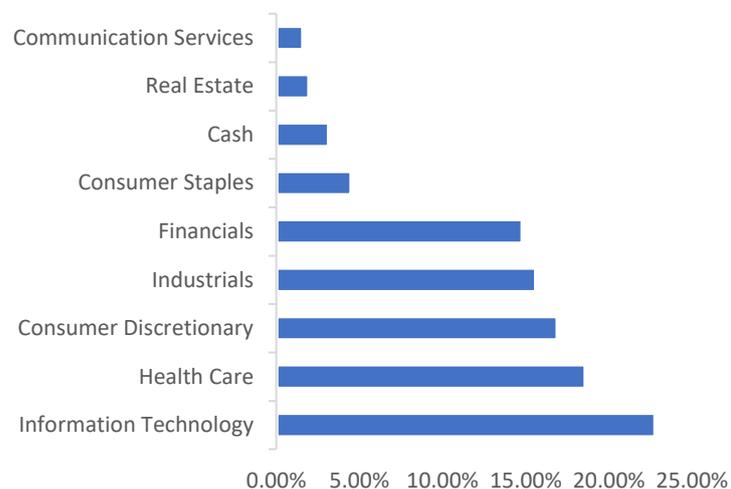
Overview

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.

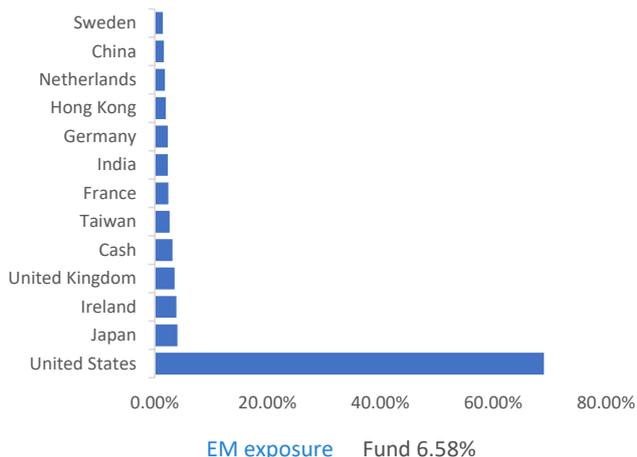
Asset Allocation



Top 10 Holdings (%)

| | Fund | Country |
|-------------------|------|---------|
| Microsoft Corp | 6.67 | US |
| Amazon Com Inc. | 3.77 | US |
| Carlisle Cos Inc. | 3.54 | US |
| Accenture Plc | 3.48 | Ireland |
| Adobe Inc. | 3.47 | US |
| Sony Corp | 3.16 | Japan |
| Abbott Labs | 3.01 | US |
| Anthem Inc. | 2.99 | UK |
| Compass Group | 2.88 | US |
| PalomarInc. | 2.74 | US |

Geographical Allocation



Market Commentary

Global equity markets edged slightly higher in October, helped by a generally supportive corporate results season and a sense that only equities are likely to offer positive real returns in an inflationary environment. This allowed markets to once again reach near all-time highs, recovering from the profit taking seen at the end of September. Yield curves flattened throughout the month, as global bond investors increased bets that Central Banks would be forced into a policy response, sooner rather than later, in response to strong near-term inflation data. The yields on short-dated Government bonds (such as 2-year Government Bonds in Australia, the US and the UK) all rose sharply over the month. Longer dated Government debt moved much less, however – likely reflecting the long-term disinflationary impact of demographics and technology. Regionally speaking, the US was the standout performer among the large regional markets. All of the other major regional indices underperformed, albeit the underperformance was fairly limited in the case of both Europe and the UK. Japan and the Emerging Markets underperformed more meaningfully. Rising oil prices continue to pose a threat to consumer spending in Emerging economies and the relative firmness of the US dollar is not helping sentiment towards these markets either.

Fund Commentary

The fund returned 1.55% for the month, 0.23% ahead of the benchmark. Positive contributors were Microsoft, SolarEdge and Anthem. Microsoft outperformed this month on the back of extremely strong quarterly results. Azure, Microsoft’s cloud solution, grew 50% YOY, exceeding guidance, and is now 21% of total revenue. Importantly, Azure’s growth exceeded that of both Google Cloud and Amazon AWS, signalling stronger adoption and growing market share. SolarEdge shares rose after a peer, Enphase Energy, published results at the end of the month, which reflected very strong demand for solar products. Anthem outperformed on the back of impressive quarterly earnings driven by strong revenue growth, favourable medical costs, and continued growth in earnings contribution from IngenioRx (its pharmacy benefits manager).

Main detractors in the fund over the month were HelloFresh, Encompass Health and LHC Group. HelloFresh continued to underperform this month as the market is anticipating a weaker quarter for the company. Q3 is typically HFG’s weakest quarter due to seasonality (during the holiday period, people pause orders and new customer acquisitions are lower). Encompass Health shares fell after the company reported quarterly results that missed consensus expectations. The key driver of underperformance was weaker volumes in the home health and hospice business. This corresponds with trends reflected more broadly in the industry today, as companies continue to grapple with ongoing labour challenges including quarantined employees, fewer new hires, and intensive competition for expensive contract labour. LHC Group suffered after providing the market with a negative results preannouncement and guidance reduction. Echoing concerns in the market more broadly, labour pressure stood out as the key driver of weaker performance. The recent Delta variant surge in the US resulted in a high number of staff being forced to quarantine, and the company had to supplement the workforce with higher-cost contract labour.

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, tobacco stocks, ‘controversial weapons’, 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 \$510.1m

Compliance

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

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