

Fund manager

Nikko Asset Management New Zealand Limited (Nikko AM).

Nikko AM is Asia's premier global asset manager. We actively manage over NZ\$4.8 billion of investments for a diverse group of clients, including superannuation schemes, charitable trusts, KiwiSaver scheme providers, corporations and local government along with providing services to financial intermediaries through wrap platforms.

We offer investment management services in domestic sectors (equities, fixed interest and cash) through our Auckland-based investment team and employ offshore managers to manage global sectors (global equities, global bonds and alternative investments).

Investment manager

We utilise a multi-manager global equity strategy managed by a specialist team based in Sydney and Singapore who work as part of Nikko Asset Management's Portfolio Solutions Team. Investment personnel from Nikko AM Australia, Singapore and New Zealand are responsible for the ongoing selection, monitoring and review of all underlying investment managers.

Fund launch

June 2012 (a similar portfolio has been operated by Nikko AM since October 2008).

Investment objective

The objective of the Fund is to construct a portfolio of authorised investments that outperform the benchmark return by 3.0% per annum over a rolling three year period before fees, expenses and taxes.

Benchmark

MSCI All Countries World Index hedged to NZD

Structure and taxation

The Fund vehicle is a Unit Trust and Portfolio Investment Entity (PIE) which is priced daily. Unit holders elect their own Portfolio Investment Rate. Each unit holder's return is subject to the foreign investment taxation regime, under the Fair Dividend Rate approach. Information is provided to the IRD and unit holders on an annual basis.

The Fund gains its exposure by investing in the Nikko AM Wholesale Global Equity Hedged Fund which invests into the Nikko AM Wholesale Global Equity Unhedged Fund.

The securities selected by the global managers are directly held by the Nikko AM Wholesale Global Equity Unhedged Fund. This structure is advantageous to tax-paying unit holders as it enables them to utilise foreign withholding taxes.

PIE eligibility

Nikko AM may take any action it deems appropriate to ensure the Fund remains eligible to be a PIE. This includes the ability of Nikko AM to compulsorily withdraw a unit holder's units and pay the proceeds to that unit holder's nominated bank account.

Trustee

Public Trust

Custodian

Public Trust as legal custodian, BNP Paribas Fund Services Australasia Pty Limited delegated as functional custodian.

Investment strategy

The investment strategy is underpinned by a philosophy of bottom-up stock picking. In order to achieve the high performance outcomes in a risk controlled manner, the strategy is to outsource the stock picking to a range of exceptional international investment managers.

Although the managers follow their own particular investment strategies, they are blended in such a way as to target superior active and risk-adjusted returns.

The underlying managers have long-term track records and a demonstrated ability to consistently perform throughout the investment cycle and hence aim to deliver benchmark outperformance.

Underlying managers

Below are the investment ranges for the underlying managers in which the Fund currently invests in.

Manager	Range
WCM Investment Management	10-30%
Principal Global Investors	10-30%
Epoch Investment Partners	10-30%
Davis Advisors	10-30%
Derivatives – Nikko AM Limited	0-10%
Cash – Nikko AM Limited	0-10%

The underlying managers may change without notice.

Distributions

The Fund does not distribute income.

Hedging policy

Generally 100% hedged to NZD based on the gross asset value of the Fund. The USD, EUR, GBP and JPY exposures will be passively hedged in weights as determined by Nikko AM from time to time.

Management fees and other charges

A management fee of up to 1.25% per annum calculated as a percentage of the gross asset value of the Fund will be calculated and deducted from the Fund. This fee is calculated daily and is payable to Nikko AM. The management fee may be reduced or waived at our discretion.

Nikko AM may also recover expenses (including the Trustee fee) up to a maximum of 0.25% per annum from the Fund.

Buy/sell spread

0.07% / 0.07%

Minimum investment

Initial investment \$5,000

Further investments \$1,000

The Manager may accept applications for investments below the minimum investment amount at its discretion.

Nikko AM NZ Unit Trusts (Retail)

Fund Summary

Nikko AM Global Equity Hedged Fund

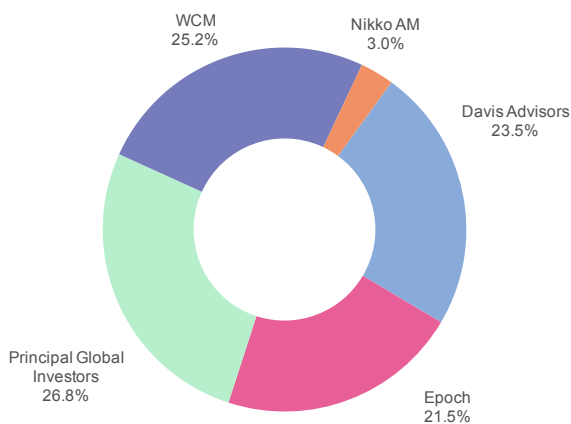
31 January 2016

Performance (NZD returns; before tax & after fees & expenses)

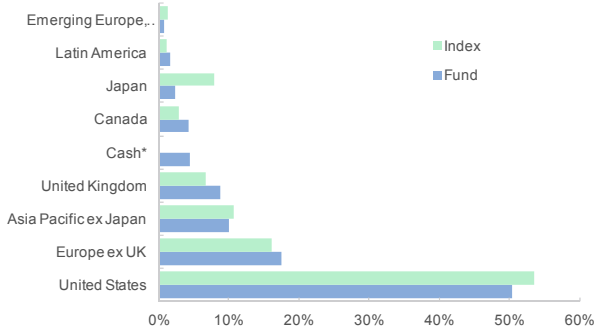
1 month	3 months	6 months	1 year
-7.74%	-8.14%	-9.74%	-2.85%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
5.42%	8.58%	n.a.	9.62%

* January 2013

Manager allocation



Geographical allocation



Cash allocation includes the sum of the underlying managers' cash allocations

Top 10 holdings

Amazon (US)	Novo Nordisk (Denmark)
Facebook (US)	Rockwell Automation (US)
Alphabet, Class C (US)	Assa Abloy (Sweden)
Alphabet, Class A (US)	Diageo (UK)
Taiwan Semiconductor (Taiwan)	Apple Inc (US)

Sector allocation

	Fund %	Index %
Consumer Discretionary	15.7	12.9
Consumer Staples	11.8	10.9
Energy	5.5	6.4
Financials	12.2	20.6
Health Care	10.2	12.3
Industrials	12.4	10.3
Information Technology	16.2	14.9
Materials	3.8	4.4
Telecommunication Services	4.0	3.9
Utilities	3.7	3.4
Cash*	4.5	-

* includes the sum of the underlying managers' cash allocations

Commentary

January was a poor month for equity markets with the MSCI ACWI Index falling 5.48% (NZD, hedged), as macro economic data weakened and earnings expectations deteriorated. The defensive sectors (Utilities, Consumer Staples and Telecoms) outperformed while Healthcare continued to suffer from a loss of appetite for risk and reduced fund flows into the Biotech sector. Another poor performing sector was Financials, as the market interpreted the deflationary impact of a devaluing Yuan into the banking sector's share prices. There were numerous corporate earnings reports for the market to digest. In general, results came in weaker than anticipated, while management commentary painted a picture of slowing global growth. The current downgrade to the earnings ratio for global companies is greater than 2:1. Many central banks continue to fight the deflationary forces unleashed by weak macroeconomic data and a strengthening US dollar. Out of the major indices, the United States outperformed the global benchmark, though the dwindling list of leaders shows a lack of breadth and is a concern.

While most of the underlying managers trailed the benchmark, Epoch's shareholder yield strategy made a significant positive contribution with a return of 3.82% for the month driven largely by its significant overweights to Utilities, Telecoms and Consumer Staples. The best individual performers in those sectors included WEC Energy Group (+14%), Diageo (+3.5%) and Altria Group (+11%). At the aggregate Fund level, the significant underweight to Financials, which performed poorly, added the most value from all the sectors. The major detractor among the Fund's holdings in Financials was an overweight to TD Ameritrade, which fell 16%. Another detractor was the underweight position in Energy, albeit the stock selection more than made up for this shortfall, with Cabot Oil & Gas gaining 24%. The Fund's top holding, Amazon.com, is currently experiencing a sharp correction, falling 8% in January, although this came after a gain of more than 100% in 2015. Stock selection in Information Technology was very strong with the holding in Facebook (+13%) performing well. At the country allocation level, one of the largest detractors was the exposure to China, which experienced a major correction in the Hang Seng Index on fears of slowing Chinese growth. Among the biggest casualties were consumer-oriented businesses like SouFun Holdings (-15%), CAR Inc (-20%) and JD.com (-15%). While disappointing over the short term, we believe the long-term fundamentals of these companies are positive.

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