

### 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 Fund's benchmark return by 3.0% per annum over a rolling three year period before fees, expenses and taxes.

### Benchmark

MSCI All Countries World Index expressed in NZD (unhedged)

### 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 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 Security Services Australasia 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

Unhedged

### 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 Unhedged Fund

31 March 2016

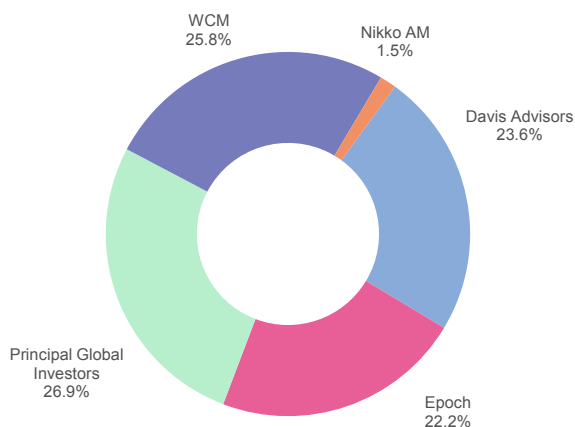
#### Performance

(NZD returns; before tax, after fees and expenses)

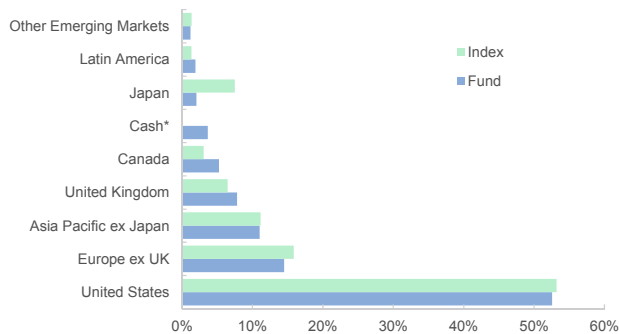
| 1 month      | 3 months     | 6 months     | 1 year          |
|--------------|--------------|--------------|-----------------|
| 2.72%        | -1.72%       | -1.37%       | 6.45%           |
| 2 years (pa) | 3 years (pa) | 5 years (pa) | Inception (pa)* |
| 13.85%       | 13.26%       | n.a.         | 14.08%          |

\* January 2013

#### Manager allocation



#### Geographical allocation



\* includes the sum of the underlying managers' cash allocations

#### Top 10 holdings

|                               |                         |
|-------------------------------|-------------------------|
| Amazon (US)                   | Berkshire Hathaway (US) |
| Facebook (US)                 | Encana (Canada)         |
| Alphabet, Class C (US)        | JP Morgan Chase (US)    |
| Alphabet, Class A (US)        | Apple Inc (US)          |
| Taiwan Semiconductor (Taiwan) | Novo Nordisk (Denmark)  |

#### Sector allocation

|                            | Fund % | Index % |
|----------------------------|--------|---------|
| Consumer Discretionary     | 15.9   | 12.9    |
| Consumer Staples           | 11.4   | 10.7    |
| Energy                     | 6.1    | 6.5     |
| Financials                 | 13.8   | 20.3    |
| Health Care                | 8.6    | 11.7    |
| Industrials                | 10.8   | 10.5    |
| Information Technology     | 18.2   | 15.1    |
| Materials                  | 4.1    | 4.8     |
| Telecommunication Services | 3.8    | 4.0     |
| Utilities                  | 3.6    | 3.5     |
| Cash*                      | 3.7    | -       |

\* includes the sum of the underlying managers' cash allocations

#### Commentary

The first quarter of 2016 proved to be a difficult start for global equities, as markets fell about 10% during the first half of the quarter, only to reverse course and make up most of the losses during the second half. The benchmark MSCI All Countries World Index (NZD, unhedged) returned -1.16% over the quarter. While performance was marginally positive in US dollar terms, a somewhat stronger NZ dollar detracted from the gains for unhedged New Zealand investors. It was a stock picker's market, as correlated moves among equities unwound to the lowest levels since 2012. Utilities and Consumer Staples were among the best performing sectors, while Healthcare and Financials among the worst. Energy and Materials bounced back strongly during the second half of the quarter as oil and metals prices rallied. Investors also displayed risk-on behaviour post the US Federal Reserve Open Market Committee's (FOMC) meeting in mid-March during which they left rates on hold. The terrorist attack in Brussels weighed on European equities towards the end of the quarter; however markets quickly reversed losses on the back of the US Fed's dovish statements. In Asia, Chinese equities were quite volatile but maintained an upward trajectory, despite some negative sentiment as the Chinese government downgraded its economic growth target to 6.5%-7%. Japanese markets were also a little unstable after the Bank of Japan refrained from providing further monetary stimulus and moving rates into further negative territory.

The underweight exposures to Financials and Healthcare – the two worst performing sectors during the quarter – were to the Fund's advantage. A weaker US dollar boosted the prices of oil and metals prices, and this removed some of the pressure that mining and oil stocks felt over the last 12 months. While the Fund was underweight Energy, it benefitted from overweights to oil stocks Encana and Cabot Oil & Gas, which surged 19% and 27% respectively during the quarter. The Fund's underweight exposure to Healthcare added value; however, a large drop of 74% in Valeant Pharmaceuticals hurt performance by a significant degree. The stock plunged due to a combination of lower-than-expected earnings guidance and worries about possible credit default. The other main detractor from performance was the Fund's top holding, Amazon.com, which declined 13% over the quarter, but this came after the stock gained more than 100% in 2015. On the positive side, the Brazilian stock, futures and commodities exchange, BM&F Bovespa, surged more than 50% as investors became more optimistic that President Dilan Rousseff could be impeached.

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