

Fund manager

Nikko Asset Management New Zealand Limited (Nikko AM).

Nikko AM is Asia's premier global asset manager. We actively manage over NZ\$4.9 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

30 April 2016

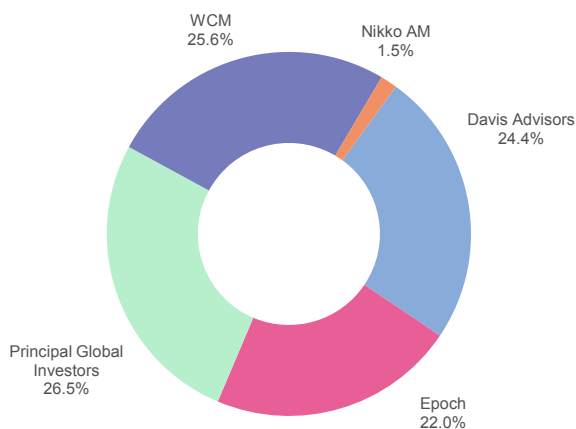
Performance

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

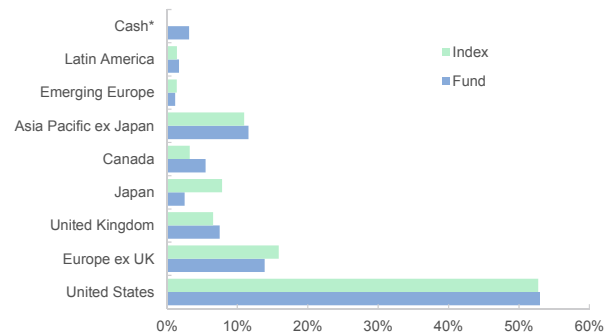
1 month	3 months	6 months	1 year
0.48%	1.44%	-4.77%	6.56%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
13.34%	13.32%	n.a.	13.87%

* January 2013

Manager allocation



Geographical allocation



* includes the sum of the underlying managers' cash allocations

Top 10 holdings

Amazon (US)	Alphabet, Class A (US)
Encana (Canada)	Taiwan Semiconductor (Taiwan)
Berkshire Hathaway (US)	JP Morgan Chase (US)
Facebook (US)	Novo Nordisk (Denmark)
Alphabet, Class C (US)	Reckitt Benckiser Group (UK)

Sector allocation

	Fund %	Index %
Consumer Discretionary	16.3	12.7
Consumer Staples	11.2	10.5
Energy	7.0	6.9
Financials	13.9	20.7
Health Care	9.2	11.9
Industrials	10.2	10.6
Information Technology	17.5	14.3
Materials	4.4	5.1
Telecommunication Services	3.6	3.9
Utilities	3.5	3.4
Cash*	3.2	-

* includes the sum of the underlying managers' cash allocations

Commentary

The market's positive momentum from March continued into April, with the benchmark MSCI All Countries World Index gaining 0.76% (NZD, unhedged). Returns in high yielding sectors remained positive led by the commodity-sensitive Energy and Materials sectors which posted robust returns for the second consecutive month as their rebound continues. The yield in those two sectors fell about 250 basis points (bps) during the month on the heels of crude oil surging 16% to USD 46 per barrel, while iron ore climbed to its highest level since January 2015. Financials and Healthcare were the next best performing sectors. Financials were supported by large gains in JP Morgan Chase, Citigroup and Bank of America, while the Healthcare sector was dominated by Valeant Pharmaceuticals after its internal review discovered no additional accounting issues that would require restatements while also receiving lender consent for a credit line amendment. Information Technology was the biggest drag on performance with significant falls in heavyweights Apple and Microsoft. There was also a wide dispersion among returns from the world's major regions – emerging Asia and the US underperformed, while Brazil, Japan and the UK all delivered solid positive returns.

The Fund underperformed its benchmark in April with three of the four managers underperforming by more than 100 basis points each. Davis (3.96%) was the only manager to outperform (by a significant margin of more than 300 basis points). The Fund's largest negatives came from the Information Technology sector, and specifically the overweights to Alphabet, Taiwan Semiconductor and SouFun Holdings. In contrast, underweights to the large index stocks Microsoft and Apple, which both fell sharply, added value. Although Financials was one of the best performing sectors, the Fund had zero exposure to the large US banks (which all outperformed) and significantly overweight TD Ameritrade which fell 5.7%. Regarding the strong performance of the Davis portfolio mentioned earlier, this was mostly driven by very strong performance of two of its larger holdings, Amazon.com and Encana Corp. Amazon.com jumped after it reported its biggest quarterly profit in its 21-year history, while Encana has been rallying on the back of a rising oil price. The Canadian oil explorer is making operational improvements at its high-margin, core assets that it hopes will deliver approximately 30% returns at oil prices ranging from \$30 to \$50 per barrel of oil. Finally Davis' holding in embattled drug developer, Valeant Pharmaceuticals, also made a significant contribution to the outperformance when it jumped 26%, although the stock is still down 67% year-to-date.

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