

### Fund manager

Nikko Asset Management New Zealand Limited (Nikko AM).

Nikko AM is Asia's premier global asset manager. We actively manage NZ\$5.0 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 May 2016

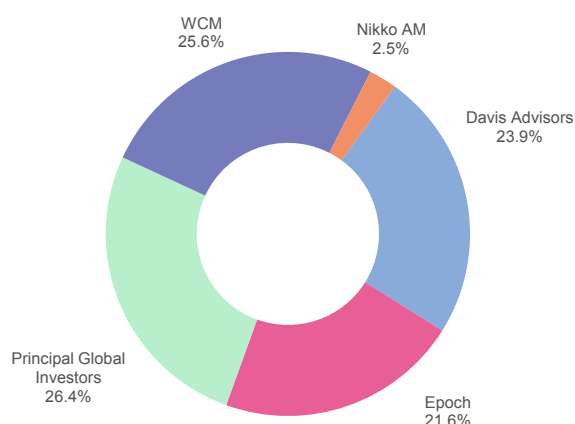
#### Performance

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

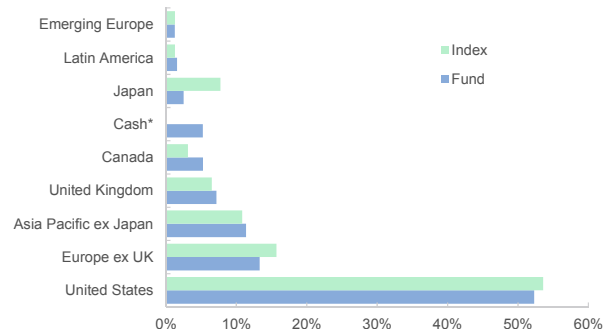
1 month	3 months	6 months	1 year
4.70%	8.06%	-2.83%	3.40%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
13.89%	12.53%	n.a.	15.05%

\* 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)	Wells Fargo & Co (US)
Berkshire Hathaway (US)	Taiwan Semiconductor (Taiwan)
Facebook (US)	Reckitt Benckiser Group (UK)
Alphabet, Class C (US)	JP Morgan Chase (US)

#### Sector allocation

	Fund %	Index %
Consumer Discretionary	16.1	12.6
Consumer Staples	10.1	10.5
Energy	7.1	6.7
Financials	14.9	20.6
Health Care	8.5	12.1
Industrials	9.5	10.5
Information Technology	17.4	14.9
Materials	4.1	4.8
Telecommunication Services	3.6	3.9
Utilities	3.5	3.4
Cash*	5.2	-

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

#### Commentary

The majority of global equity markets were positive in May with the MSCI All Countries World Index (NZD unhedged) up 3.49% assisted by foreign currency gains against the NZ dollar. From a regional perspective, the US, Taiwan, India, Belgium and Denmark outperformed, while Japan, the UK and most of Europe struggled.

Information Technology sector, led by Apple and Microsoft, was the stand-out, outperforming the benchmark by about 400 basis points, while Health Care, led by biotechnology, beat the benchmark by more than 100 basis points. On the flipside, a more hawkish US Federal Reserve commentary drove a rally in the USD, which impacted negatively on commodity sectors. Last month's winners, Energy and Materials sectors, both surrendered some of their gains and trailed the benchmark by 300 basis points and 500 basis points respectively. Among the Materials, mining stocks were the biggest losers, while many non-mining companies outperformed. This included Monsanto, which jumped more than 20% after the German pharmaceutical and chemicals giant Bayer AG made an all-cash offer to acquire the company for USD 62 billion. Monsanto however, rejected the bid stating that the offer undervalued the company. If the deal is successful, it would create the world's largest agrochemicals company, with a share of about 30% of the world's agricultural seed market and a 24% share in the global chemicals market.

The Fund outperformed its benchmark in May with the biggest contributors coming from positive stock selection in Consumer Discretionary (Amazon.com) and Financials (TD Ameritrade), as well as avoiding the majority of underperforming stocks in the Energy and Materials sectors. There were a few exceptions though, with the Fund's holdings in energy companies, Encana Corp and Apache Corp both gaining more than 7%. The overweight position in the US-based agrochemicals company, Monsanto also contributed positively after surging more than 20%, benefitting from Bayer AG's takeover bid.

While stock selection in Health Care and Information Technology underperformed the benchmark in aggregate, value was added by Cooper Companies (10%), Mercadolibre (13%), Tencent Holdings (13%) and Alphabet (9%). The main detractors were underweight exposure to Apple and Microsoft, both gaining more than 10%.

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