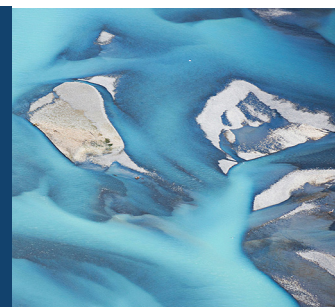


NIKKO AM AUSTRALASIAN SMALL COMPANIES FUND

Monthly Fact Sheet

31 July 2016



Investment objective

The objective of the Fund is to construct a portfolio of permitted 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

Composite of:

S&P/ASX Small Ordinaries Index expressed in NZD (unhedged)	70.0%
S&P/NZX SmallCap Index gross with Imputation	25.0%
S&P/NZX Call Rate Deposit Index	5.0%

Fund description

The Fund aims to provide investors with an exposure to New Zealand and Australian "emerging leaders" securities from an actively managed investment portfolio with potential for growth of income and capital.

The Fund gains its investment exposure by investing into the Nikko AM Wholesale Australasian Small Companies Fund which is managed by the Nikko AM NZ Equity team.

Distributions

Semi-annual. Last business days of March and September.

Currency management

Foreign currency exposures created as a consequence of capital markets investment may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%. Currency hedging contracts are held in the Nikko AM Wholesale Australasian Small Companies Fund.

Management fees and other charges

A management fee of 1.00% per annum calculated as a percentage of the net asset value of the Fund will be calculated and deducted from the Fund. This fee is calculated daily and is payable to Nikko AM.

Nikko AM may also recover expenses (including the Trustee fee) from the Fund up to a maximum of 0.25% per annum of the Fund's net asset value. Estimate of expenses as at 1 July 2016 are 0.25% per annum.

Performance fee

We charge a performance fee of 10% of gains above the hurdle rate. The "hurdle rate" is the minimum return the Fund must achieve before being able to charge a performance fee. The hurdle for the Fund is 3% above the Australasian Small Companies Composite Index over a 12 month financial period after deducting our management fee and expenses. Performance-based fees are payable only if the Fund's performance exceeds the high water mark. The high water mark for the Fund is equal to the performance level of the Fund at the end of the last financial period when a performance fee was charged. This means if the Fund loses value over one or more financial periods, Nikko AM NZ must achieve investment returns above the high water mark for the Fund before receiving another performance-based fee. The high water mark cannot be reset unless the Fund's performance exceeds that mark. The performance fee for each financial period is accrued daily in the unit price and paid at the end of the financial period. A financial period for the Fund is 12 months ending 31 March in each year. The performance fee does not have a maximum limit.

Buy/sell spread

0.35% / 0.35%

Strategic asset allocation

Asset class	Range
Australasian equities, cash and cash equivalents, and listed property via the Nikko AM Wholesale Australasian Small Companies Fund	95% – 100%
Cash on call for investor transactions	0% – 5%

Investment ranges and benchmark weights

Asset class	Target	Range
Australian Smaller Equities	70%	50% ⇔ 90%
New Zealand Smaller Equities	25%	10% ⇔ 40%
Cash and cash equivalents	5%	0% ⇔ 10%

Restrictions

Nikko AM Wholesale Australasian Small Companies Fund:

- Maximum 8% exposure to any one security.
- Maximum aggregate exposure of 40% to the top five investments.
- Securities included in the S&P/ASX 100 Index and/or the NZX 10 Index are not permitted.

Full details of the permitted investments and restrictions are outlined in the SIPO.

Performance

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

1 month	3 months	6 months	1 year
6.91%	3.93%	11.83%	14.75%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
15.39%	13.01%	11.60%	11.18%

* August 2009

Contributors to performance – July 2016

What helped	What hurt
Impedimed Limited	Syrah Resources Limited
RCG Corporation	Isentia
TouchCorp	Eroad

Asset allocation (% of fund)

New Zealand equities	22.3%
Australian equities	74.7%
Cash	3.0%

Top 5 holdings

Security	Sector
Aconex Limited	Information Technology
The A2 Milk Company Limited	Consumer Staples
Estia Health Limited	Healthcare
Impedimed Limited	Healthcare
IPH Limited	Industrials
Number of holdings	43

Commentary

The New Zealand equity market performed strongly in July with the S&P / NZX50 Index returning 6.55% making for a solid outperformance against global markets over the month and year-to-date. Markets were impacted by the Brexit referendum but bounced back quickly afterward. The rebound came as investors viewed additional monetary policy globally would support risk assets in general and equity markets more specifically and by a stronger than expected US reporting season. The Australian market was also strong with the S&P ASX200 Index up 6.29% while the US and the UK were up 3.56% and 3.38% respectively (local currency terms). Many markets hit all-time highs during the period. The rally in equities went hand-in-hand with a significant move lower in bond yields as the New Zealand 10-year Government bond yield finished the month on its lows at 2.20%, down some 0.15% over the month, driven by the RBNZ signaling a likely OCR cut in August.

The Fund produced an acceptable positive return for the month, but struggled to match the performance of the composite index which rose 7.7% with a rebound in the resource sector. The Fund's investments in medical device company **Impedimed** (+42.4%), retail investment holding company RCG Corporation (+21.7%), enterprise software services company **Touchcorp** (+32.5%) and global construction project SaaS platform, Aconex (+15.3%) were the main contributors to July's performance. The largest detractor was Syrah Resources which fell 23%.

A number of names were sold from the Fund over the month including RCG Corporation, Investore who listed via IPO and was sold following opening 9% higher post IPO, Tegal and Orion Healthcare following very strong period of performance from our entry levels below \$3.00 to an exit price just below \$5. Names added to the Fund included financial services business **Scottish Pacific**, car dealer **Automotive Holdings**, medical diagnostics firm **Integral Diagnostics**, NZ transport company **Mainfreight**, media company **NZME** and retirement operator **Aveo**.

Currencies were volatile over the month with the NZD falling 0.82% against the AUD but rising 1.1% against the USD.

(**Bold** denotes stock held in portfolio)

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