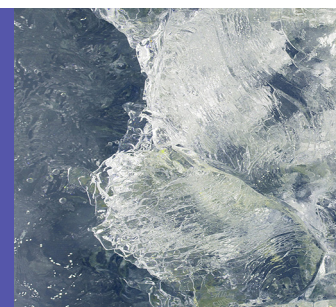


NIKKO AM GLOBAL EQUITY HEDGED FUND

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

MSCI All Countries World Index (net dividends reinvested), gross hedged 139% to NZD

Fund description

The Fund aims to provide investors with long term growth from an actively managed investment portfolio selected from global equity markets. Currency exposures created as a consequence of global equity investments are hedged to the NZD.

The Fund gains its investment exposure by investing into the Nikko AM Wholesale Global Equity Unhedged Fund via the Nikko AM Wholesale Global Equity Hedged Fund.

For the Nikko AM Wholesale Global Equity Unhedged Fund we utilise a multi-manager global equity strategy managed by a specialist team based in Sydney and Singapore. Investment personnel from Nikko AM Australia, Singapore and New Zealand are responsible for the ongoing selection, monitoring and review of all underlying investment managers.

Currency management

Foreign currency exposures created as a consequence of capital markets investment are gross hedged at 139% to NZD. The permitted operational hedging range is 134% – 144%.

Management fees and other charges

A management fee of 1.25% per annum calculated as a percentage of the net asset value of the Fund will be calculated and deducted from the Fund.

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 0.11% per annum.

Buy/sell spread

0.07% / 0.07%

Strategic asset allocation

	Target	Range
Nikko AM Wholesale Global Equity Unhedged Fund via the Nikko AM Wholesale Global Equity Hedged Fund	100%	95% ⇄ 100%
Cash on call for investor transactions	0%	0% ⇄ 5%

Refer to the SIPO for full details of permitted investments and restrictions.

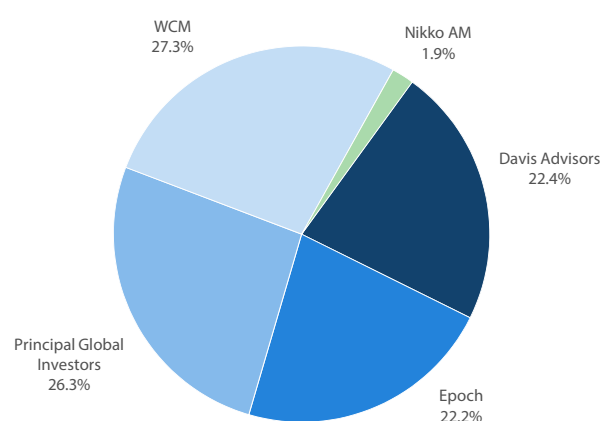
Performance

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

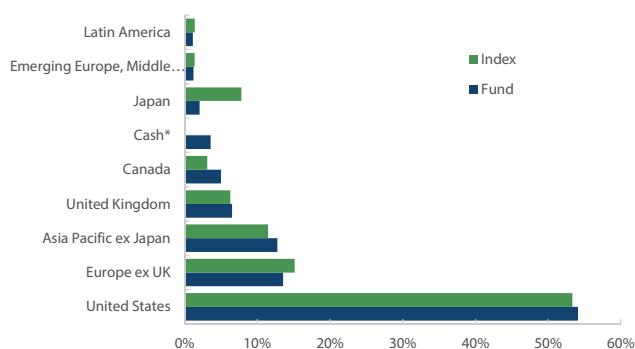
1 month	3 months	6 months	1 year
4.67%	4.10%	13.29%	2.25%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
7.11%	10.96%	na	12.09%

* January 2013

Manager allocation



Geographical allocation



* includes the sum of the underlying managers' cash allocations

Top 10 holdings

Amazon (US)	Taiwan Semiconductor (Taiwan)
Facebook (US)	Alphabet, Class C (US)
Berkshire Hathaway (US)	Reckitt Benckiser Group (UK)
Encana (Canada)	Wells Fargo & Co (US)
Alphabet, Class A (US)	JP Morgan Chase (US)

Sector allocation

Manager	Fund	Index
Consumer Discretionary	15.4%	12.4%
Consumer Staples	10.6%	10.6%
Energy	7.1%	6.6%
Financials	14.5%	19.8%
Healthcare	9.9%	12.4%
Industrials	9.7%	10.4%
Information Technology	17.3%	15.4%
Materials	4.6%	5.0%
Telecommunication Services	3.7%	3.9%
Utilities	3.6%	3.5%
Cash*	3.6%	-

* includes the sum of the underlying managers' cash allocations

Commentary

Global equity markets pushed higher in July with the MSCI All Country World Index climbing 4.22% in US dollar terms, driven by generally supportive macroeconomic data and corporate earnings. For New Zealand investors, the NZD hedged benchmark return was 4.71%.

Increasing speculation that various governments around the world may be about to abandon austerity and embark on debt-fuelled infrastructure programmes also helped drive markets. The Materials sector climbed almost 6% in response, led principally by steel and mining companies. Despite these hopes, there was continued evidence of investors hedging their bets by continuing to invest in quality growth. Technology (up 6.6%) and Healthcare (up 3.3%)

outperformed as a result. The renewed optimism around commodities did not extend to oil. Small increases in the US rig count and hopes of an end to supply disruptions in Nigeria and Libya, saw benchmark oil price come under pressure and the Energy sector declined 2.6%. Consumer Staples (down 0.9%) also suffered as investors balked at the lofty price paid for their relative earnings 'safety'.

Japan was one of the biggest regional winners in July. The country's demographic and growth challenges are well understood and the Bank of Japan's (BOJ) experiment with negative interest rates has not been successful in stimulating demand. A meeting between Ben Bernanke and Japanese policymakers stoked hopes that 'helicopter money' would be seen as the answer and shares climbed on that basis (though this radical approach was subsequently rejected by BOJ Governor, Kuroda). Emerging Markets, excluding China, also outperformed last month, helped by stronger commodity prices as investors reappraised their relative merits after years of preferring developed markets.

In July, three of the four managers outperformed. PGI (+74 bps), Davis (+47 bps) and WCM (+34 bps) added value through a combination of good stock selection and overweighting to the Technology and Healthcare sectors. However, the defensive manager, Epoch, lagged the benchmark by a significant margin of 250 bps. Most of the value was detracted by large overweights in Telecoms and Utilities, which both underperformed, and a large underweight to the Technology sector which outperformed. Stock selections in Financials and Consumer Staples were also negative contributors to performance for Epoch.

Individual stocks making the biggest positive impact on performance include Carmax (up 17%), Quintiles Transnational (up 17%) and VIPShop (up 26%). The Fund also benefitted from an underweight to the oil major, Exxon Mobil, which fell 6% in July.

CarMax is a leading used car and truck retailer in the USA. CarMax focuses on late-model, low-mileage used vehicles that are 1–5 years old with fewer than 60,000 miles. The company operates about 158 stores across the US and is expected to grow its store base by 13–16 stores per year for at least the next several years. With its proprietary buying, pricing, and inventory management systems, CarMax has significant competitive advantages over competitors.

Quintiles Transnational is a contract research organization (CRO) and the largest provider of biopharmaceutical development services. Quintiles recently announced a strategic alliance with kidney care leader, DaVita Clinical Research (DCR), bringing together DaVita's expertise in nephrology and Quintiles's global delivery capabilities to accelerate clinical trials in this field. One of DCR's competitive advantages lies in the fact that it is a part of an integrated company that provides healthcare, giving it access to real-world patient data and experience. This deal should help Quintiles gain new business.

The major detractors to performance were overweight positions in the British household products group, Reckitt Benckiser (down 3.7%), the wireless communications infrastructure operator, Crown Castle (down 5.5%) and the oil services company, Core Laboratories (down 6.4%).

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