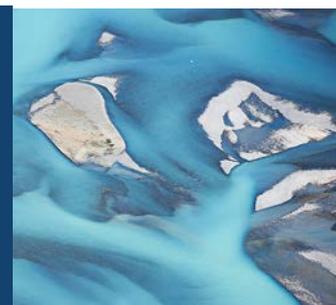


NIKKO AM AUSTRALASIAN SMALL COMPANIES FUND

Monthly Fact Sheet

31 August 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 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. As at the time of publication these expenses are estimated to be 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
-3.71%	-2.47%	10.29%	14.46%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
10.29%	10.05%	11.84%	10.44%

* August 2009

Contributors to performance – August 2016

What helped	What hurt
Austral (ASB)	Estia Health (EHE)
Impedimed (IPD)	Wellard (WLD)
Isentia (ISD)	Aconex (ACX)

Asset allocation (% of fund)

New Zealand equities	23.3%
Australian equities	75.6%
Cash	1.2%
Number of holdings	44

Top 5 holdings

Security	Sector
Impedimed Limited	Healthcare
The A2 Milk Company Limited	Consumer Staples
Ingenia Communities Group	Financials
Eroad Limited	Information Technology
Automotive Holdings	Consumer Discretionary

Commentary

Following a sharp rally over July, the S&P/NZX 50 Gross Index rose 0.69% in August 2016 with ‘small caps’ outperforming leaders with the NZX SmallCap Index up 2.79%. The S&P/ASX200 Accumulation Index, S&P500 and FTSE100 returned -1.6%, +0.1% and +1.7% respectively in local currencies. Most indices performed poorly leading into the end of the month. The NZX 50 Index during 2016 has recorded an impressive 17.65% rise along with a 15.3% rise in the NZX SmallCap Index with the most recent earnings season generally providing good news. Results were in line with expectations with increased dividends continuing to be the main theme.

In economic news, most data released over August suggested continued momentum in the New Zealand economy driven by strong migration, construction and tourism activity. This has been supported by the RBNZ reducing the OCR by 0.25% to 2.00% at their August Monetary Policy Statement (MPS). Data appears to be suggesting a year-on-year growth rate of 3.3% with relatively muted inflation as food prices continue to fall.

The RBNZ continued with an explicit easing bias suggesting “further policy easing will be required to ensure that future inflation settles near the middle of the target range” and as such the market is expecting two additional OCR cuts in the next six months bottoming out at 1.5%. Currencies were volatile over the month with the NZD rising 1.73% against the AUD and up 0.82% against the USD.

The Fund performed poorly for the month, struggling to match the performance of the Index due to **Estia Health** (EHE) which fell 34% after continuing concerns for government funding and a well below expectation results. Two other stocks detracting from performance were **Wellard** (WLD) and **Aconex** (ACX) falling 35.6% and 21.4% respectively. On the plus side, the Fund’s positions in **Austral** (ASB) +25%, **Impedimed** (IPD) +13.4% and **Isentia** (ISD) helped.

Two names were sold from the Fund over the month – Scottish Pacific (SCO) and media company NZME (NZM) and three stocks were introduced into the Fund – **Fonterra Shareholders Fund** (FSF), **Mainfreight** (MFT) and **PropertyLink Group** (PLG).

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

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