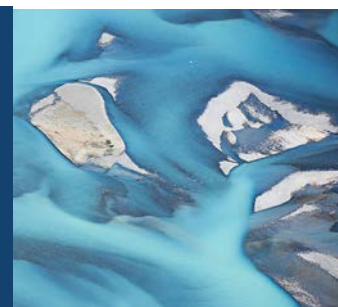


NIKKO AM AUSTRALASIAN SMALL COMPANIES FUND

Monthly Fact Sheet

30 September 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 Accumulation 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
-0.17%	2.77%	0.95%	15.20%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
10.77%	8.96%	13.66%	10.24%

* August 2009

Contributors to performance – quarter

What helped	What hurt
Impedimed Limited	Syrah Resources Limited
RCG Corp Limited	Estia health Limited
Ardent Leisure	Wellard Limited

Asset allocation (% of fund)

New Zealand equities	25.0%
Australian equities	71.4%
Cash	3.6%
Number of holdings	46

Top 5 holdings

Security	Sector
Impedimed Limited	Health care
Aconex Limited	Information technology
A2 Milk	Consumer staples
Ingenia Communities Group	Real estate
Freelancer Ltd	Information technology

Commentary

Following a sharp rally over July, the S&P/NZX 50 Gross Index rose +0.69% in August and was flat in September to end the month as one of the strongest performing markets globally. The S&P/NZX 50 Gross Index rose 7.26% for the quarter while the NZX Small Cap Index rose an impressive 10.68%. The S&P/ASX200 Accumulation Index, S&P500 and FTSE100 returned +5.1%, +3.3% and +6.1% respectively in local currencies. The NZX 50 index on a year-to-date basis has recorded an impressive 17.6% rise with the NZX SmallCap index up 18.9%.

In economic news, recent quarterly data (for June) showed economic growth gaining momentum and is now above its long-term trends. GDP growth rose to 3.6% year-on-year to the end of June and above that seen for the year to March 2016 of 3.0%. Recent out performance has come from the construction and services sectors both continuing to benefit from the sustained period of tourism and migration data. Migration numbers hit an all-time high over August aiding robust house price inflation. Currencies were volatile over the month with the NZD falling 0.63% against the AUD, mildly aiding the portfolio's unhedged positions, but up 2.3% against the USD over the quarter.

The Fund produced a solid return of 2.77% for the quarter but on a relative basis struggled to match the relentless rise of the NZ market. The Fund had a number of solid performers for the quarter with non-invasive medical device company **ImpediMed** (IPD) up 69%, entertainment firm Ardent Leisure (ADD) +37% before it was sold from the portfolio, boat manufacturer **Austal** (ASB) +23.9% and the short term ownership of NZME (NZM) +23% while the Fund owned it.

The manager was busy over the quarter with a number of names sold completely including diversified retailing company RCG Corp, Metro Performance Glass (MPG), NEXTDC (NXT), Orion Healthcare (OHE), Ardent Leisure (ADD), Wellard (WLD), Tegal Group (TGH) and Investore (IPL). New additions to the Fund over the quarter included retirement developer and operator **Aveo Group** (AOG), **Fonterra** (FSF), **PropertyLink Group** (PLG), **Chorus** (CNU), medical diagnostics company Integral Diagnostics (IDX), honey business **Comvita** (CVT), retailer Adairs (ADH) and credit collection business **Credit Corp** (CCP).

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

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