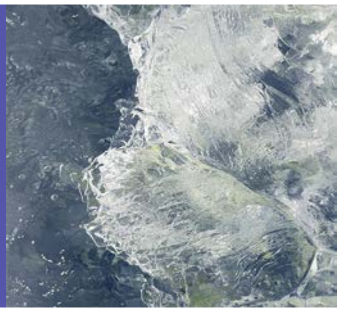
Nikko Asset Management

NIKKO AM GLOBAL EQUITY UNHEDGED 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

MSCI All Countries World Index (net dividends reinvested), expressed in NZD (unhedged). Prior to 1 June 2014 MSCI World Index (net dividends reinvested). NZD unhedged

Fund description

The Fund aims to provide investors with long term growth from an actively managed investment portfolio selected from global equity markets.

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

All currency exposures created as a consequence of global equity market investment remain unhedged to NZD.

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. An estimate of expenses as at the date of publication is 0.09% per annum.

Buy/sell spread

0.07% / 0.07%

Strategic asset allocation

	Target	Range
Nikko AM Wholesale Global Equity Unhedged 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
-0.70%	3.85%	0.72%	-0.66%

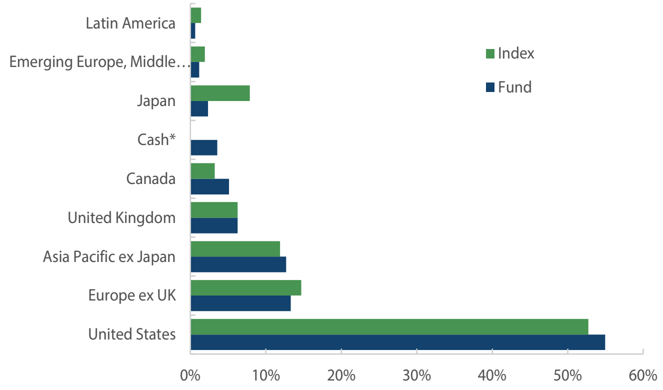
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
7.35%	10.13%	n/a	12.13%

* January 2013

Manager allocation

Manager	Range	Actual*
WCM Investment Mgmt	10-30%	26.9%
Principal Global Investors	10-30%	25.8%
Epoch Investments Partners Inc	10-30%	21.2%
Davis Selected Advisors LP	10-30%	22.2%
Nikko AM Limited (Derivatives)	0-10%	2.6%
Nikko AM Limited (Cash)	0-10%	1.3%

Geographical allocation



Emerging markets **11.0% of Fund**

Sector allocation

Sector	Fund (%)	Benchmark (%)
Information Technology	17.3%	15.9%
Consumer Discretionary	16.0%	12.3%
Financials	11.0%	16.9%
Health Care	10.5%	11.7%
Consumer Staples	10.3%	10.4%
Industrials	9.5%	10.4%
Energy	7.9%	6.9%
Materials	4.8%	5.0%
Telecommunication Services	3.5%	3.8%
Cash*	3.5%	0.0%
Utilities	3.3%	3.3%
Real Estate	2.4%	3.4%

* includes the sum of the underlying managers' cash allocations

Top 10 holdings

Company	Fund (%)	MSCI (%)	Country
Amazon.com	3.23%	0.90%	US
Encana Corp	1.74%	0.03%	Canada
Alphabet, Class A	1.69%	0.64%	US
Taiwan Semiconductor	1.57%	0.39%	Taiwan
Facebook	1.51%	0.80%	US
Berkshire Hathaway	1.45%	0.46%	US
Wells Fargo & Co	1.25%	0.57%	US
Reckitt Benckiser Group	1.22%	0.16%	Britain
Apache Corp	1.17%	0.06%	US
Naspers	1.16%	0.20%	SA

*Figures may not add to 100% due to rounding

Commentary

The MSCI All Countries World Index was up 3.13% (NZD, unhedged) in the third quarter, erasing the second quarter's decline. Emerging markets have been much stronger, up 6.70% in the third quarter for a year-to-date gain of 9%.

Across equity regions, in local currency terms, Asia Pacific was the strongest, led by China (up 11%), Taiwan (up 9%) and Japan (up 6%). Performance across Europe was mixed, with Germany and Spain both up more than 7%, while Italy was flat and Denmark fell 7%. The Danish market's sharp decline was largely driven by the diabetes care drug maker Novo Nordisk (down 22%).

Among the major sectors, Information Technology (up 11%) was extremely strong over the quarter, driven by significant gains in heavyweights Apple (up 16%), Microsoft (up 11%), Facebook (up 10%) and Alphabet (up 10%). Materials (up 7.5%) was the next best performing sector, with gains across both the Metals & Mining (up 10%) and Chemicals (up 6%) industries. Defensive sectors lagged the overall market, with Consumer Staples (down 2.5%), Telecoms (down 3.7%) and Utilities (down 5.1%) all in retreat over the quarter.

The Fund returned 3.85% in the September quarter, outperforming the benchmark by 72 basis points (bps). Of the four sub-managers, Davis led the charge with a return of 9.93% for the quarter, to outperform by 680 bps. Its strong performance can be attributed to large gains in oil & gas exploration companies, Encana (up 31%) and Apache (up 13%), as well as the world's largest cement producer, LafargeHolcim (up 28%). Another major contributor to Davis' success was Amazon.com (up 14%) which traded up to a new record high of USD 837 per share. While Davis has been reducing their position in Amazon, it is still a significant 5% position in their portfolio. The performance of PGI (3.79%) and WCM (3.66%) were more in line with the benchmark, and performance highlights included large gains in Mercadolibre (up 29%), Taiwan Semiconductor (up 14%) and TD Ameritrade (up 22%). The value manager, Epoch (-2.09%), struggled however on account of its overweight to defensive yield plays which underperformed in anticipation of a potential US rate hike in December. Detracting the most from performance, was private prison operator, Corrections Corp of America (down 60%), in response to an announcement by the US Department of Justice in mid-August that it would be gradually moving away from the use of private prisons. Other significant detractors were tobacco companies, Reynolds American (down 14%) and Altria Group (down 9.5%), as well as the utility holding company, PPL Corp (down 10%).