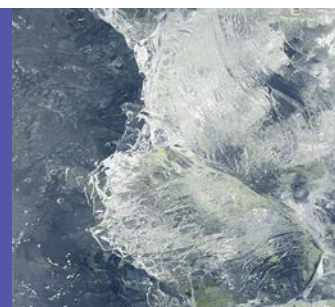


# NIKKO AM GLOBAL EQUITY HEDGED FUND

## Monthly Fact Sheet

## 31 October 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. Prior to 1 July 2016 MSCI All Countries World Index (net dividends reinvested) 100% hedged to NZD. Prior to 1 June 2014 MSCI World Index (net dividends reinvested) 100% hedged 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.

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

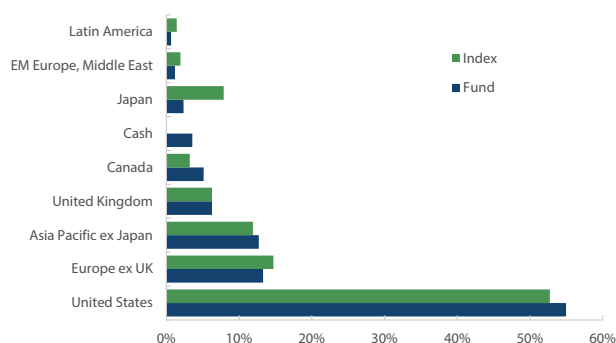
1 month	3 months	6 months	1 year
-2.40%	0.40%	4.51%	4.48%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
7.26%	8.04%	n/a	11.23%

\* January 2013

### Manager allocation

Manager	Range	Actual*
WCM Investment Mgmt	10-30%	26.6%
Principal Global Investors	10-30%	26.1%
Epoch Investments Partners Inc	10-30%	21.3%
Davis Selected Advisors LP	10-30%	22.0%
Nikko AM Limited (Derivatives)	0-10%	2.7%
Nikko AM Limited (Cash)	0-10%	1.3%

## Geographical allocation



Emerging markets: 11.6% of Fund

## Sector allocation

Sector	Fund (%)	Benchmark (%)
Consumer Discretionary	16.1	12.2
Consumer Staples	10.1	10.1
Energy	7.5	6.9
Financials	11.6	17.6
Health Care	10.6	11.1
Industrials	10.2	10.5
Information Technology	16.9	16.1
Materials	4.9	5.2
Real Estate	2.4	3.3
Telecommunication Services	3.5	3.7
Utilities	3.3	3.4
Cash*	2.8	0.0

\* includes the sum of the underlying managers' cash allocations

## Top 10 holdings

Company	Fund (%)	MSCI (%)	Country
Amazon.com	3.1	0.9	US
Alphabet Class C	1.7	0.7	US
Taiwan Semiconductor	1.7	0.4	Taiwan
Encana Corp	1.6	0.0	Can
Facebook	1.6	0.8	US
Berkshire Hathaway	1.5	0.5	US
Wells Fargo	1.5	0.6	US
Naspers	1.2	0.2	SA
Reckitt Benckiser Group	1.2	0.2	UK
Apache Corp	1.1	0.1	US

## Commentary

As the polls started tightening ahead of the US Presidential Election, investors moved further into a risk-reduction mode in October, sending most global equity markets somewhat lower during the month. Although equity markets generally struggled to make much progress in October, there was a meaningful sector rotation within markets.

The Fund trailed the benchmark over October. The underperformance was due to a mix of adverse regional allocation, negative sector contributions and poor stock selection. Of the four sub-managers, Davis (-2.99%) and WCM (-2.85%) contributed about three quarters to the Fund's underperformance, on an unhedged basis.

The negative contribution from regional allocation came mostly from the underweight exposure to Japan (up 3%) which was one of the best performing countries. The overweight exposure to Canada made a positive contribution to performance. Among the major sectors, Financials (up 3.9%) performed the best in response to the yield curve which started to reflect some inflationary pressures. As a consequence, the Fund's significant underweight to Financials was a drag on performance. There were a few positives however, with the underweight exposures to Healthcare (down 5.2%) and Real Estate (down 3.3%) adding some value.

Among the Fund's individual holdings, the largest detractors from performance were Canadian oil and gas explorer, Encana (down 7%) and online Chinese real estate portal, Fang Holdings (down 24%). Encana's share price had already doubled this year, so some profit taking was to be expected. Amazon.com (down 3.9%) and Danish biotechnology firm Novozymes (down 14%) were also among the main laggards.

The main positives in October were TAL Education Group (up 17%), Taiwan Semiconductor (up 3.6%) and Wells Fargo (up 5.9%). There was corporate action in late October; The UK-domiciled British American Tobacco (BAT) offered to pay USD 47 billion for the 58% of Reynolds American (up 19%) that it doesn't already own, seeking to create the world's largest publicly traded cigarette maker. The cash-and-stock proposal values each Reynolds share at USD 56.50, which represented a 20% premium to the Reynolds' share price the day before the BAT offer was announced. The Reynolds board is currently evaluating the offer, and if successful, the planned combination would likely overtake Philip Morris International as the world's largest publicly traded tobacco company.

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