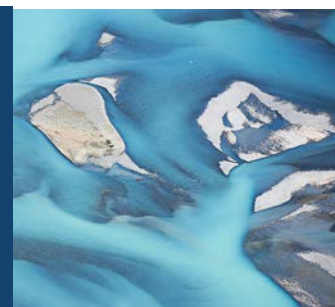


NIKKO AM AUSTRALASIAN SMALL COMPANIES FUND

Monthly Fact Sheet

31 January 2017



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
-1.86%	-6.56%	-12.51%	-2.22%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
6.17%	6.31%	9.86%	8.39%

* August 2009

Contributors to performance – month

What helped	What hurt
Tilt Renewables	Aconex
EROAD	Impediment
Restaurant Brands	Pacific Edge

Asset allocation (% of fund)

New Zealand equities	27.5%
Australian equities	71.4%
Cash	1.1%

Top 5 holdings

Security	Sector
Cover More Group	Financials
Restaurant Brands	Consumer discretionary
Tilt Renewables	Utilities
Pacific Edge	Healthcare
Property Link	Real estate
Number of holdings	46

Commentary

Equity markets started the year on a positive note with the MSCI World index up 1.6%. All eyes have been on President Trump following his inauguration on January 20th. Early signs are that he will follow through with key pledges with orders signed to withdraw from the Trans Pacific Partnership, immigration bans and plans in motion to commence building a wall between the US and Mexico. The New Zealand equity market, as represented by the S&P/NZX 50 index rose strongly, up 2.5%, while the Small Companies Index rose a slightly better 3.19%. While in Australia, the broader market performance significantly underperformed most markets with the S&P/ASX 200 index down 0.8% and the Small Cap sector off 2.44%.

Newly added into the Fund in December, **Tilt Renewables** (TLT) performed soundly over the January. The stock rallied 18.6% for the month and it was one of the larger positions within the portfolio. **EROAD** (ERD) rising 12.5%, **Restaurant Brands** (RBD) up 9.1% and Australian tech company **CSG** +6.5% aided fund performance. In spite of these performances the portfolio lost value, down 1.95% (gross of fees and taxes), and under-performed relative to the Composite Small Companies Index over the month. The underperformance for the fund was primarily the result of SaaS software firm **Aconex** (ACX) which guided to revenue being 8% lower than previous guidance. While revenue guidance still implies circa +10% organic growth rate at the midpoint vs +20% under previous guidance (and +29% in the 2016 result), the cut to earnings guidance was more dramatic. Earnings are expected to be circa 50% weaker than previously forecast which lead to a share price fall of circa 40%. We remain attracted to the Aconex business model and their blue chip client base and note the stock has recovered somewhat from its lows.

Impediment (IPD) performed poorly over the month, dragging down portfolio performance as many healthcare and medical device companies underperformed globally after Trump was elected as US President.

In economic news, the New Zealand economy continued to show evidence that it is growing around 3.0-3.5% year on year suggesting solid earnings growth for many companies. The drivers remained the same with tourism, migration and a strong construction sector supporting performance. The NZD rose 0.58% over the month against the Australian dollar and an impressive 5.6% against the USD.

(**bold** denotes held in portfolio)

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