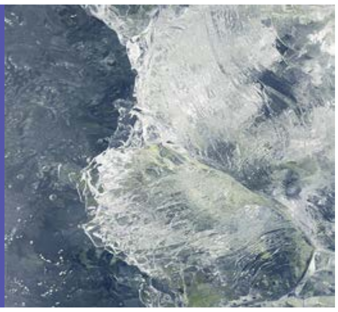
nikko am
Nikko Asset Management

NIKKO AM GLOBAL EQUITY UNHEDGED 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

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
-1.72%	1.84%	-0.83%	2.37%

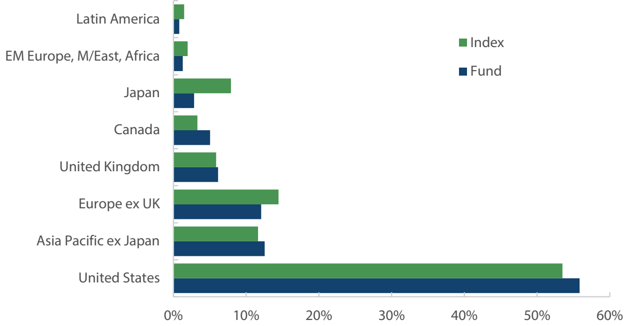
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
4.23%	8.75%		11.27%

* January 2013

Manager allocation

Manager	Range	Actual*
WCM Investment Mgmt	10-30%	26.26%
Principal Global Investors	10-30%	25.99%
Epoch Investments Partners Inc	10-30%	21.22%
Davis Selected Advisors LP	10-30%	22.75%
Nikko AM Limited (Derivatives)	0-10%	2.66%
Nikko AM Limited (Cash)	0-10%	1.12%

Geographical allocation



Emerging markets **11.4% of Fund**

Sector allocation (% of fund)

Sector	Fund	Benchmark
Consumer Discretionary	16.3	12.2
Consumer Staples	9.5	9.4
Energy	8.0	7.0
Financials	11.4	18.6
Health Care	10.4	11.0
Industrials	8.9	10.6
Information Technology	17.8	15.9
Materials	5.3	5.5
Real Estate	2.2	3.1
Telecommunication Services	3.7	3.6
Utilities	3.1	3.1
Cash	3.4	0.0

* includes the sum of the underlying managers' cash allocations

Top 10 holdings (% of fund)

Company	Fund (%)	MSCI (%)	Country
Amazon.com	3.0	0.9	US
Alphabet Class C	2.0	0.6	US
Facebook	1.7	0.8	US
Wells Fargo & Co	1.7	0.7	US
Encana Corp	1.6	0.0	Canada
Taiwan Semiconductor	1.6	0.4	Taiwan
Berkshire Hathaway Class B	1.3	0.5	US
TD Ameritrade	1.2	0.0	US
Naspers	1.1	0.2	SA
Apple	1.1	1.7	US

Commentary

The "Trump rally" in global equity markets continued throughout January, sending the S&P 500 to a new record high of 2,300. The Nasdaq Composite of the leading US technology companies also rose above 5,600 for the first time, while the widely watched Dow Jones Industrial Average traded above 20,000 for three days near the end of the month.

While equity returns in local currencies were generally positive, the NZ dollar strengthened to 0.7312 against the US dollar, resulting in negative returns for unhedged investors. The MSCI All Countries World index returned -2.30% (NZD, unhedged). Energy (-7%) was the worst performing sector, while bond proxies (Real Estate, Telecoms and Utilities) also underperformed. The Materials, Information Technology and Consumer Discretionary sectors all outperformed in January. Regional performance was mixed – most of Asia outperformed, while Europe was led by Switzerland and the Nordic region as the UK and Europe struggled. Among emerging markets, Brazil continued its outperformance with a gain of 5% during the month.

In terms of relative performance, the Fund made a good start to 2017 outperforming the benchmark. Three of the four managers benefited from the outperformance of Growth over Value during the month. WCM was the leader of the pack, outperforming by 131 bps. Individual holdings adding the most value for WCM, were Mercadolibre (up 12%), HDFC Bank (up 7%) and Cerner Corp (up 7.5%). Incidentally, these three companies were the worst performers in the fourth quarter. They are all high quality companies though – for example, MercadoLibre is the "Amazon.com of Latin America," running the leading e-commerce platform in the region, while HDFC and Cerner are both leading players in their respective industries and countries. HDFC is growing faster than most of its private banking peers in India, while Cerner (a provider of technology services to the healthcare industry) is positioned to benefit from the Affordable Care Act regulation and the revamping of IT infrastructure.

The value manager, Epoch (-142 bps), had a few successes in January, mainly its Tobacco holdings, and the Canadian telecoms provider Rogers Communications and the US data management firm Iron Mountain Inc., also outperformed. However there were far more detractors - mainly Epoch's exposure to Qualcomm (down 22%), Verizon Communications (down 12%) and Exxon Mobil (down 12%). Being overweight Energy, the worst performing sector, made matters worse for Epoch although the high yielding characteristics of its Energy holdings should add to performance over the longer term.

At the aggregate Fund level, the most value was added by Amazon.com (up 4%), Mercadolibre (mentioned earlier), Encana Corp (up 3%) and Facebook (up 7%).