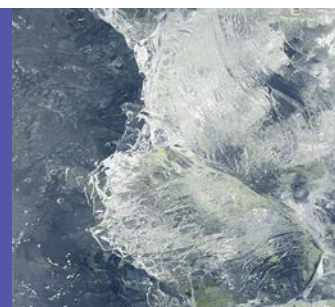


NIKKO AM GLOBAL EQUITY UNHEDGED FUND

Monthly Fact Sheet

28 February 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)

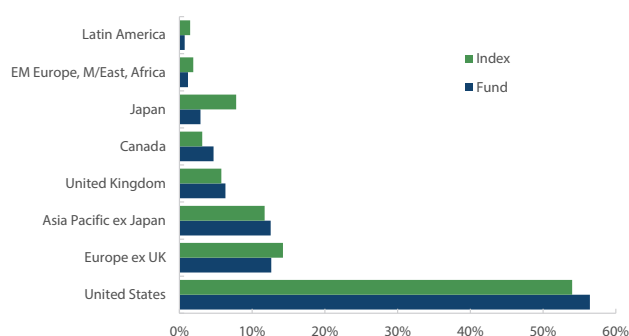
1 month	3 months	6 months	1 year
3.39%	4.88%	3.35%	7.68%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
5.41%	9.56%		11.92%

* January 2013

Manager allocation

Manager	Range	Actual*
WCM Investment Mgmt	10-30%	26.46%
Principal Global Investors	10-30%	26.43%
Epoch Investments Partners Inc	10-30%	21.59%
Davis Selected Advisors LP	10-30%	22.86%
Nikko AM Limited (Derivatives)	0-10%	2.67%
Nikko AM Limited (Cash)	0-10%	-0.02%

Geographical allocation



Emerging markets **11.4% of Fund**

Sector allocation (% of fund)

Sector	Fund	Benchmark
Consumer Discretionary	16.17	12.05
Consumer Staples	9.96	9.52
Energy	7.44	6.67
Financials	11.31	18.64
Health Care	11.19	11.26
Industrials	8.98	10.65
Information Technology	18.00	16.14
Materials	5.54	5.33
Real Estate	2.04	3.17
Telecommunication Services	3.58	3.43
Utilities	3.15	3.13
Cash*	2.63	0.00

* includes the sum of the underlying managers' cash allocations

Top 10 holdings (% of fund)

Company	Fund (%)	MSCI (%)	Country
Amazon.com	3.02	0.86	US
Alphabet Class A	2.01	0.64	US
Facebook	1.79	0.79	US
Wells Fargo & Co	1.60	0.70	US
Encana Corp	1.42	0.03	Canada
Taiwan Semiconductor	1.32	0.38	Taiwan
Apple	1.26	1.86	US
Berkshire Hathaway	1.22	0.53	US
Reckitt Benckiser Group	1.16	0.14	Britain
MercadoLibre	1.13	0.02	US

Commentary

Global share **markets** rallied throughout February, driven by ongoing hopes of US tax cuts and increased infrastructure spending, positive earnings results, stronger commodity prices and the US Federal Reserve's (Fed) interest rate hike expectations. Fed Chair Janet Yellen delivered a testimony to Congress and raised the prospect of a March rate hike despite flagging considerable uncertainty under the Trump administration. Yellen commented that "waiting too long to remove accommodation would be unwise" and that delaying rate hikes now could result in the Fed having to raise rates at a faster pace later, "which could disrupt financial markets and push the economy into recession". Overall in February, the MSCI All Countries World Index gained 4.2% (NZD, unhedged). The USA was one of the best performing developed markets, rising more than 5% on the back of a 12-day winning streak by the Dow Jones Industrial Average. Europe ex UK underperformed, driven by the renewed signs of political stress within the region, even as economic conditions continued to improve. Populist parties continued to poll strongly ahead of upcoming elections in the Netherlands and France, while Greece is attempting to agree to terms once again with its creditors. The best performing sectors were Healthcare (up 7%) and Information Technology (up 5.8%), while Materials (up 1%) and Energy (down 0.6%) trailed the benchmark by significant margins.

The **Fund** returned 3.50% in February (gross), but lagged the benchmark's return by 72 basis points (bps). Of the underlying managers, Epoch (4.11%) and PGI (4.08%) performed the best, followed by WCM (3.10%) and Davis (2.81%). The Fund's underperformance was partly due to the overweight exposure to the Consumer Discretionary sector which trailed the benchmark's performance. While individual stock performance in the sector was mixed, an overweight position in Tripadvisor (down 20%) was one of the largest detractors. In the Energy sector, Encana and Apache both declined 11% and had a negative effect on the Fund's return. The other main negatives were the overweight to US retail brokerage firm, TD Ameritrade (down 14%), and the underweight to Apple (up 15%). TD's decline was in response to a change in the product pricing structure of rival Charles Schwab, which said it will cut equity and options trading commission rates by 22%. While pricing cuts put some incremental pressure on TD, there should not be any meaningful fundamental impact given the sticky nature of brokerage market share. Looking at the positive side of performance, 30 of the Fund's 290 holdings (or 11% by weight) gained more than 10% during the month. The Fund has an overweight position in 27 of those holdings and the biggest contributors to performance were MercadoLibre (up 15%), Aetna Inc (up 10%) and VIPshop (up 16%). Underweights to Microsoft (up 0.9%) and ExxonMobil (down 0.8%), which both underperformed, also added relative value.

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