

NIKKO AM GLOBAL EQUITY HEDGED FUND

Monthly Fact Sheet

31 March 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), 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)

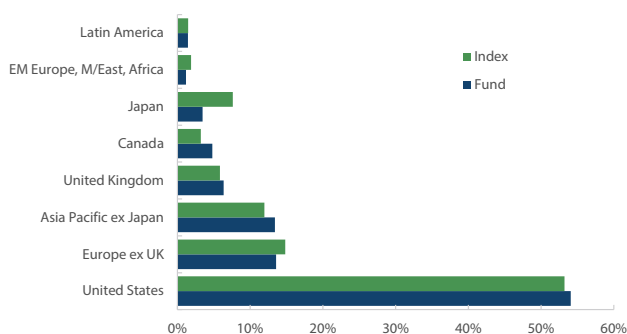
1 month	3 months	6 months	1 year
0.36%	7.29%	5.81%	14.36%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
6.62%	9.56%		12.18%

* January 2013

Manager allocation

Manager	Range	Actual*
WCM Investment Mgmt	10-30%	25.18%
Principal Global Investors	10-30%	25.19%
Epoch Investments Partners Inc	10-30%	21.94%
Davis Selected Advisors LP	10-30%	25.39%
Nikko AM Limited (Derivatives)	0-10%	3.35%
Nikko AM Limited (Cash)	0-10%	-1.05%

Geographical allocation



Emerging markets

13.0% of Fund

Sector allocation (% of fund)

Sector	Fund	Benchmark
Consumer Discretionary	16.9	12.1
Consumer Staples	9.5	9.5
Energy	7.2	6.7
Financials	11.1	18.4
Health Care	11.0	11.1
Industrials	8.8	10.7
Information Technology	18.6	16.4
Materials	6.1	5.3
Real Estate	2.1	3.2
Telecommunication Services	3.7	3.4
Utilities	3.2	3.2
Cash*	1.8	0.0

* includes the sum of the underlying managers' cash allocations

Top 10 holdings (% of fund)

Company	Fund (%)	MSCI (%)	Country
Amazon.com	2.9	0.9	US
Alphabet Class C	1.9	0.6	US
Facebook	1.8	0.8	US
Wells Fargo & Co	1.6	0.7	US
Encana Corp	1.5	0.0	Canada
Apple	1.2	1.9	US
Taiwan Semiconductor	1.2	0.4	Taiwan
Reckitt Benckiser Group	1.1	0.1	UK
Berkshire Hathaway Class B	1.1	0.5	US
MercadoLibre	1.1	0.0	US

Market commentary

The MSCI All Countries World Index returned 6.64% (NZD, unhedged) and 5.75% NZD hedged, over the March quarter. That brings the total gain of the so-called "Trump rally" to 17% (NZD unhedged). The rotation out of Value into Growth accelerated over the quarter, with Growth outperforming Value by about 400 basis points (bps). As expected, the Information Technology (up 12.7%) and Healthcare (up 8.1%) sectors saw the biggest gains, while Energy (down 4%) was the worst performing sector due to crude oil weakness.

Fund commentary

The Fund outperformed its benchmark over the quarter. Most of the value was added by PGI (up 7.90%*) which outperformed by 126 bps. The manager's growth style benefited from strong performance by its overweights to the Information Technology, Consumer Discretionary and Healthcare sectors. Apple (up 23%) and Facebook (up 22%) were the big winners among tech stocks, while Amazon (up 17%) and China Yongda Automobiles (up 84%) added the most value in the Consumer Discretionary sector.

WCM and Davis also both gained more than 7% over the quarter. Adding the most value for WCM's portfolio was its significant exposure to Amazon, Facebook, MercadoLibre (up 34%) and HDFC Bank (up 22%) which all outperformed. For Davis, its overweights to oil companies Encana Corp (down 1.1%) and Apache Corp (down 20%) detracted value, but it had far more winners during the quarter. Adding the most value were New Oriental Education (up 42%), TAL Education (up 50%) and Adient plc (up 23%). New Oriental Education and TAL Education are both Beijing-based and are China's leading tuition companies. Adient plc is the global market share leader in seating and interior components for passenger cars, commercial vehicles, and light trucks. The company recently announced a partnership with Boeing to deliver aircraft seating & interiors. The aircraft interiors market is estimated at about USD 15 billion, compared to the USD 64 billion global auto seating market, however leaders in airline seats have about 18% margins versus only 7% in autos.

Epoch was the only manager that underperformed over the quarter. Although it returned a solid 5.39% over the three month period, it trailed the benchmark by 125 bps. This can be attributed partly to its large underweight to the booming Information Technology sector, and in particular not owning stocks like Apple, Facebook and Samsung which all gained more than 20% over the quarter. While most of Epoch's tech stocks performed well, its largest exposure to the technology sector, Qualcomm, declined 12%. Most of its Energy holdings declined as well, with Exxon Mobil (down 9%) and Occidental Petroleum (down 11%) detracting the most value.

*all return percentages expressed as unhedged in NZD

Disclaimer | This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme and the Nikko AM NZ Wholesale Investment Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement or Fund Fact Sheet. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party.