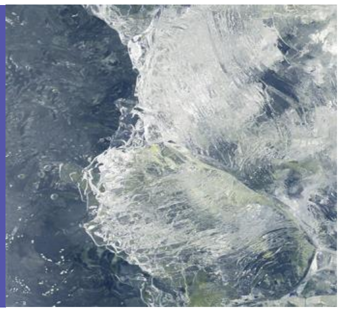
nikko am
Nikko Asset Management

NIKKO AM GLOBAL EQUITY UNHEDGED FUND

Monthly Fact Sheet 30 June 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 vehicle is a NZ domiciled Portfolio Investment Entity (PIE) which is priced daily. 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
-3.03%	1.21%	7.16%	13.99%

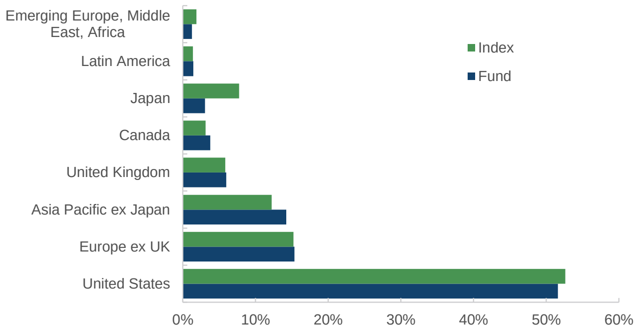
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
3.16%	11.62%		12.31%

* January 2013

Manager allocation

Manager	Range	Actual*
Davis Advisors	10-30%	25.78%
Epoch	10-30%	21.49%
Principal Global Investors	10-30%	25.60%
WCM	10-30%	26.77%
Nikko AM Derivatives	0-20%	0.00%
Nikko AM Cash	0-10%	0.36%

Geographical allocation



Emerging markets **13.5% of Fund**

Sector allocation (% of fund)

Sector	Fund	Benchmark
Information Technology	17.6	16.9
Consumer Discretionary	17.3	12.1
Financials	11.7	18.6
Health Care	11.2	11.4
Industrials	10.4	10.9
Consumer Staples	8.3	9.4
Energy	5.8	6.1
Materials	5.5	5.2
Cash*	3.3	0.0
Telecommunication Services	3.3	3.2
Utilities	3.3	3.1
Real Estate	2.3	3.1

* includes the sum of the underlying managers' cash allocations

Top 10 holdings (% of fund)

Company	Fund (%)	MSCI (%)	Country
Amazon.com	3.1	1.0	US
Alphabet, Class C	2.2	0.7	US
Facebook	1.8	0.9	US
Wells Fargo	1.5	0.6	US
Taiwan Semiconductor	1.3	0.0	Taiwan
Apple	1.2	2.0	US
Naspers	1.2	0.2	Sth Africa
Encana Corp	1.2	0.0	Canada
New Oriental Education	1.1	0.0	China
Aetna	1.1	0.1	US

Market commentary

The MSCI All Countries World Index returned -0.45% (NZD, unhedged) over the June quarter. Europe ex-UK and Asia ex-Japan were the best performing regions, while the sectors were led by strong gains in Healthcare, Information Technology and Industrials.

Investors have become increasingly circumspect about the trajectory of growth for the US and the global economy. The Trump legislative agenda has been delayed, economic data has become more mixed and expectations for interest rate hikes have become more muted.

With dissipating faith that a broad cyclical upswing will engender revenue growth and positive operating leverage for most businesses, the focus has returned again to leaders of innovation, market share gainers and franchises that can deliver sustainable growth irrespective of the economic cycle.

Fund commentary

The Fund had a very strong June quarter, outperforming the benchmark by 116 basis points (bps). Of the underlying managers, WCM made the largest contribution to the Fund's excess return, outperforming the benchmark by 411 bps, while Epoch trailed the benchmark by 113 bps. WCM benefitted from double digit returns in names such as Cooper Companies, HDFC Bank, Techtronic Industries and Tencent Holdings, while Epoch's underperformance was largely due to its significant overweight to Telecommunications and Utilities which struggled over the quarter. Among Epoch's individual holdings, Imperial Brands, Verizon Communications and AT&T all declined 11%. At the aggregate Fund level, holdings with a notable positive impact on returns over the quarter included overweights to Angie's List (up 115%), Safran (up 18%), JD.com (up 21%) and Cooper Companies (up 15%). ANGI soared in early May after the company agreed to be acquired by IAC/InterActiveCorp (IAC) in a deal that valued ANGI at about USD 505 million. IAC said that it planned to merge its own HomeAdvisor unit with ANGI. Among the Fund's Healthcare holdings, Cooper Companies climbed to a new record high after stronger than expected results at the start of May, with profit margins expanding at its core contact lens business much more quickly than investors had been expecting.

The US market has started to underperform other markets, with US dollar weakness being a contributing factor. This has been most notable against the Euro, where the European Central Bank (ECB) now appears to be following in the footsteps of the Fed faster than many expected, with policy tightening as a result of the tapering of quantitative easing (QE) and potential rate hikes in due course supporting the currency.

*all return percentages expressed as unhedged in NZD unless otherwise stated.