

Nikko AM Wholesale Australasian Small Companies Fund

Fund manager

Nikko Asset Management New Zealand Limited (Nikko AM).

Nikko AM is Asia's premier global asset manager. In New Zealand we actively manage NZ\$4.8 billion of investments for a diverse group of clients, including superannuation schemes, charitable trusts, KiwiSaver scheme providers, corporations and local government along with providing services to financial intermediaries through wrap platforms.

We offer investment management services in domestic sectors (equities, fixed interest and cash) through our Auckland-based investment team and employ offshore managers to manage global sectors (global equities, global bonds and alternative investments).

Fund launch

May 2012 – a similar portfolio has been operated by Nikko AM since 1996.

Investment objective

To achieve a return that exceeds the benchmark return on an annual basis before fees, over a rolling three year period. The current benchmark return for the Fund is the Australasian Small Companies Composite Index plus 3.0% per annum.

Composite index

The Australasian Small Companies Composite Index is a weighted average of the following three indices:

S&P/ASX Small Ordinaries Accumulation Index	70%
S&P/NZX SmallCap Index Gross with Imputation	25%
S&P/NZX Call rate Deposit Index	5%

Investment process

Nikko AM is an active style neutral manager with a lower risk approach to investment. The small companies' portfolio provides exposure to New Zealand and Australian small companies, otherwise referred to as "emerging leaders". The Fund is skewed to Australian investments and is managed in a manner to provide investors with capital growth and a modest income over a medium investment time frame.

Investment positions are actively managed to provide a moderate risk exposure to a diverse range of companies and sectors, contained within the Australasian small companies market.

Structure and taxation

The Fund vehicle is a Unit Trust and Portfolio Investment Entity (PIE) which is priced daily. Unit holders elect their own Portfolio Investment Rate. The Fund invests directly into tradeable capital market securities. Whilst the majority of the return is "excluded income" there will be a portion of interest income, dividends not fully imputed, and certain ASX listed shares will not fit the criteria for trading gains/losses to be excluded. Information is provided to the IRD and unit holders on an annual basis.

Distributions

At any date for any period fixed by the Manager

Hedging policy

AUD exposures are hedged to the NZD at the discretion of the Manager.

Management fees and other charges

Investment management fees will be negotiated separately with each investor and invoiced outside the Fund.

All Fund statutory and operating costs will be met directly by the Manager.

Performance fee

Negotiated separately with each investor and invoiced outside the Fund.

Buy/sell spread

0.40% / 0.40%

Trustee

Public Trust

Custodian

Public Trust as legal custodian, BNP Paribas Fund Services Australasia Pty Limited delegated as functional custodian.

Selected investors only

Participation in the Fund is limited to persons or entities who are New Zealand resident, and:

(a) whose principal business is the investment of money; or

(b) who, in the ordinary course of and for the purposes of their business, habitually invest money;

and, consequently (or for other reasons) do not constitute "the public" for the purposes of the Securities Act 1978 (**Exempt Person**). Nikko AM will not therefore be required to produce a registered prospectus or an investment statement in relation to the proposed investment (such documents otherwise being required were this offer to be made to persons or entities that are not Exempt Persons), and such documents will not be produced accordingly. Investors in the Fund will be required to acknowledge their status as an Exempt Person as part of their subscription in the Fund. Investors in the Fund will also be required to undertake to Nikko AM that any transfers of interests in the Fund will only be to Exempt Persons.

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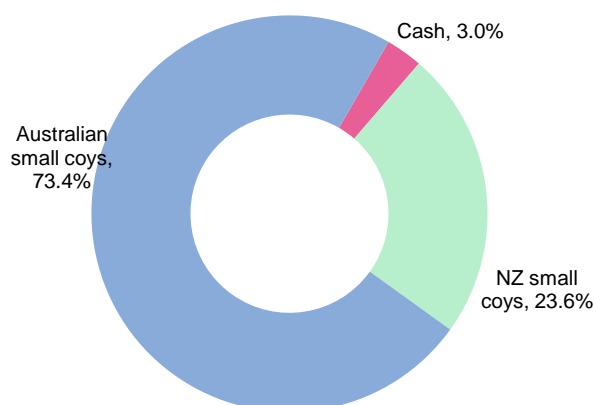
Performance (NZD returns; before tax & fees)*

	Fund %	Composite Index %	Excess %
1 month	1.12	2.24	-1.12
3 months	7.74	10.30	-2.56
6 months	11.92	12.85	-0.93
1 year	18.53	13.26	5.27
2 years (pa)	15.24	8.22	7.02
3 years (pa)	12.62	4.17	8.45
5 years (pa)	11.25	0.35	10.90
10 years (pa)	8.86	2.38	6.47

* The Nikko AM Wholesale Australasian Small Companies Fund commenced operation in May 2012. Performance returns prior to this date are returns achieved for similar mandated investment funds as reported to various asset consultant's performance surveys.

Fund size \$5 million

Asset allocation



Contributors to performance

What helped	What hurt
Select Harvests Limited	Cover More Group
Syrah Resources	Rhipe Limited
Western Areas Limited	Vitaco Holdings Limited

Top five holdings

Security	Sector
IPH Limited	Consumer Discretionary
Eclix Group Limited	Financials
Syrah Resources Limited	Materials
NZ Refining Company Limited	Energy
Village Roadshow	Consumer Discretionary

Number of holdings in portfolio **44**

Commentary

Global equity markets posted generally positive returns in April with materials and energy performing particularly well on the back of a jump in commodity prices. The Australian market (S&P/ASX 200 Index) was particularly strong, up 3.4% for the month, driven by a 15.4% jump in the S&P/ASX 200 Resource Index. The Small Ordinaries Index performed in line with the general market, up 3.0%. The New Zealand market (S&P/NZX 50 Index) was up a much more subdued 1.0%, but the Small Companies sector rose a much stronger 4.7% in April.

With strong markets, particularly in resources, the Fund underperformed its benchmark but provided a positive absolute return. Stocks that performed well included Western Areas, **Select Harvests**, **Orion Health**, **Syrah Resources** and Arvida. Disappointing names held over the month included **Cover More** and **Blackmores**.

New stocks were added to the Fund in April included **Freelancer** and **Tegal Group**, while retirement operator Arvida, Australian Finance Group, Metro Performance Glass and Western Areas were sold.

The New Zealand dollar rose 1.75% against the Australian dollar and 0.87% against the United States dollar over the month. This detracted from performance due to Australian dollar investments being unhedged.

(Bold denotes stock held in portfolio)

Compliance

The Fund complied with its investment mandate during the month.