

# Nikko AM Wholesale Global Equity Hedged Fund

## Fund manager

Nikko Asset Management New Zealand Limited (Nikko AM NZ). In New Zealand we actively manage around NZ\$5 billion of investments for a diverse group of clients. 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).

## Investment manager

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.

## Fund launch

October 2008

## Investment objective

To construct a portfolio of authorised investments that outperform the Fund's benchmark return by 3.0% per annum over a rolling three year period.

## Benchmark

MSCI All Countries World Index (net dividends reinvested) gross hedged 139% to NZD

## Distributions

Does not distribute, but may do so at Nikko AM NZ's discretion.

## Hedging policy

Foreign currency exposures created as a consequence of capital markets investment are gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

## Trustee

Public Trust

## Custodian

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

## Structure and taxation

The Fund vehicle is a Portfolio Investment Entity (PIE) which is priced daily. Investors elect their own Portfolio Investor Rate. Each investor's return is subject to the foreign investment taxation regime, under the Fair Dividend Rate approach. Comparative Value method applies for hedging contracts. Information is provided to the IR and investors on an annual basis. The securities selected by the global managers are directly held by this Fund. This is advantageous to tax-paying unit holders as it enables them to utilise foreign withholding taxes.

## Investment strategy

The investment strategy is underpinned by a philosophy of bottom-up stock picking. In order to achieve the high performance outcomes in a risk controlled manner, the strategy is to outsource the stock picking to a range of exceptional international investment managers. Although the managers follow their own particular investment strategies, they are blended in such a way as to target superior active and risk-adjusted returns.

## Fund Structure

The underlying managers have long-term track records and an expectation to consistently perform throughout the investment cycle and hence aim to deliver benchmark outperformance. The specialist manager line-up and strategic ranges for each are represented in the table overleaf.

## Management fees

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

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

## Buy/sell spread

0.07% / 0.07%

**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.

## Performance (NZD gross returns)

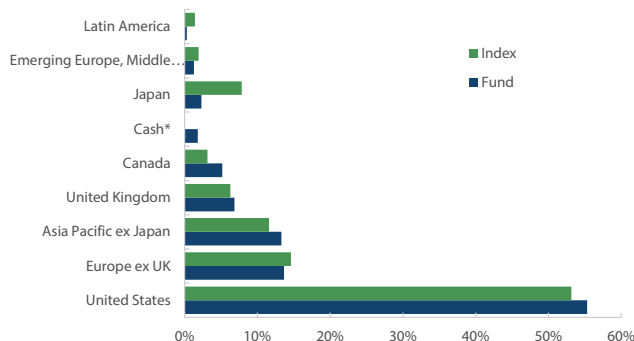
	Fund	Benchmark*	Excess
1 month	1.30%	1.20%	0.10%
3 months	4.59%	5.06%	-0.47%
6 months	13.51%	13.87%	-0.36%
1 year	11.21%	9.17%	2.04%
2 years pa	9.11%	5.95%	3.15%
3 years pa	13.86%	11.74%	2.12%
5 years pa	15.09%	14.16%	0.92%

\* MSCI All Countries World Index (net dividends reinvested) 139% hedged 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 size

NZ\$331 million

## Geographical allocation



Emerging markets: 11.9% of Fund

## Sector allocation

Sector	Fund (%)	Benchmark (%)
Consumer Discretionary	15.5	12.8
Consumer Staples	10.7	10.4
Energy	7.4	6.6
Financials	14.0	20.5
Health Care	10.2	11.9
Industrials	10.1	10.5
Information Technology	18.2	15.7
Materials	4.9	5.1
Telecommunication Services	3.7	3.8
Utilities	3.5	3.3
Cash*	1.8	0.0

\* includes the sum of the underlying managers' cash allocations

## Top 10 holdings

Company	Fund (%)	MSCI (%)	Country
Amazon.com Inc	3.1	0.8	US
Encana Corp	1.6	0.0	Canada
Berkshire Hathaway Inc	1.6	0.5	US
Facebook Inc	1.5	0.8	US
Taiwan Semiconductor Manufacturing Co Ltd	1.5	0.4	Taiwan
Alphabet Inc Class A	1.4	0.6	US
Alphabet Inc Class C	1.3	0.6	US
Reckitt Benckiser Group PLC	1.3	0.2	UK
Wells Fargo & Co	1.3	0.7	US
Naspers Ltd	1.1	0.2	RSA

## Compliance

The Fund complied with its investment mandate during the month.

## Manager allocations

Manager	Range	Actual
WCM Investment Mgmt	10-30%	27.7%
Principal Global Investors	10-30%	26.4%
Epoch Investments Partners Inc	10-30%	22.0%
Davis Selected Advisors LP	10-30%	22.6%
Nikko AM Limited (Derivatives)	0-10%	2.8%
Nikko AM Limited (Cash)	0-10%	-1.4%

## Commentary

Global equity markets rose in August with the MSCI All Country World Index up 0.7% in local currency terms. In NZ Dollar Hedged terms, the index was up further at 1.20%. The Fund modestly out-performed its benchmark with a gross return of 1.30% for the month.

During August it was Davis's return of 4.1% that provided the bulk of the positive performance with PGI (-0.8%) and WCM (-0.3%) modestly underperforming and Epoch lagging with a return of -2.5% (all in unhedged terms).

Emerging Markets strongly outperformed their Developed Market counterparts during the month (MSCI EM index was up 2.52% in the month), and it was Davis's emerging market stocks that were the major factor in its outperformance.

A significant detractor for Epoch was the holding in Corrections Corporation (CCA) which fell just over 50% in the month on the back of the Department of Justice's decision to end its use of private prisons. Epoch's overweight positions in the telecom and utility sectors also hurt performance.

Across the Fund as a whole, stock positions adding the most value in August included MercadoLibre (up 12%), TD Ameritrade (up 9%), Ctrip (up 8.5%), and Angie's List (up 25.5%).

Within the healthcare sector, the Fund benefitted from a nil position in pharmaceutical company Bristol-Myers Squibb, which fell 23% due to disappointing results regarding its cancer immunotherapy, Opdivo. Similarly, nil positions in Allergan (down 7.3%) and UnitedHealth Group (down 5%) also added to performance. While the portfolio maintains an underweight to Healthcare, strong stock selection within the sector added to performance, with the gains in Livanova (+16.9%) and Sinopharm (+7.1%) being the most notable.

Major detractors for the month included TripAdvisor (down 12.8%), Techtronic Industries (down 4.2%), Apache Corp (5.3%), and Core Laboratories (down 4.3%).