Factsheet 31 January 2021

NIKKO AM GLOBAL EQUITY HEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Equity Hedged Fund. The Nikko AM Global Equity Hedged Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- Global equity markets were broadly flat in January, as they consolidated the material gains seen following the release of promising COVID-19 vaccine data at the end of 2020.
- January also saw a reminder that politicians may continue to struggle to provide further impetus to the economic recovery. Although President Biden's $1.9 Trillion stimulus plan looks well considered, there are substantial political hurdles to be overcome, before this money makes its way into the pockets of US companies and consumers.
- The Energy sector outperformed this month. Information Technology modestly outperformed, boosted by strong returns from index heavyweights like Microsoft. Healthcare also outperformed, buoyed by a strong start to its earnings season and a sense that the new US Administration may not pursue a radical reform agenda. Consumer Staples, however, continued to underperform.

Fund Highlights

- The fund returned -0.93% in January and underperform the index. Of the three underlying managers, WCM (-112 bps) was the primary detractor from performance, NAME and Royal London, had far better relative performance in January and helped the fund to outperform.
- Some of the top individual contributors to performance in January were two of Asia's largest companies (Tencent and Taiwan Semiconductor), the US pharmaceutical company Eli Lilly, the groceries retail technology platform Ocado Group and the niche bank, SVB Financial Group.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale[1]	-0.93%	17.57%	23.03%	10.36%	14.81%	
Benchmark[2]	-0.04%	17.92%	15.01%	6.83%	12.70%	
Retail[3]	0.50%	17.56%	21.35%	9.53%	14.52%	

1. Returns are before tax and before the deduction of fees. Based on actual calendar periods.
2. Benchmark: MSCI All Countries World Index (net dividends reinvested) 139% gross hedged to NZD. No tax or fees.
3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any). Based on change in unit price.

Investment Manager

The multi-manager global equity strategy is managed by Nikko AM's multi-strategy team based across Sydney and Singapore. This team provides advice and input to the Nikko AM NZ Investment Committee which is responsible for the ongoing selection, monitoring and review of the underlying investment managers. The Nikko AM NZ Investment Committee comprises senior members from the business and is chaired by the Managing Director, George Carter.

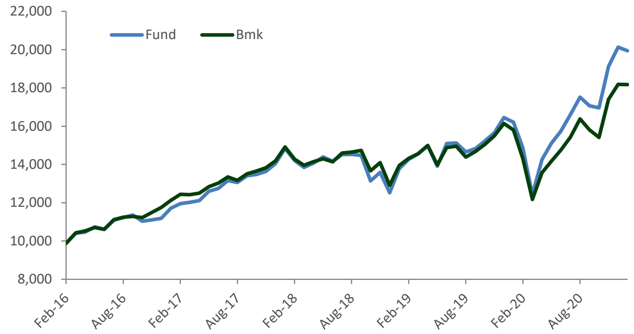
Overview

This fund aims to provide investors with long term growth from an actively managed investment portfolio selected from global equity markets. Currency exposures created as a consequence of global equity investment are gross hedged at 139% to NZD.

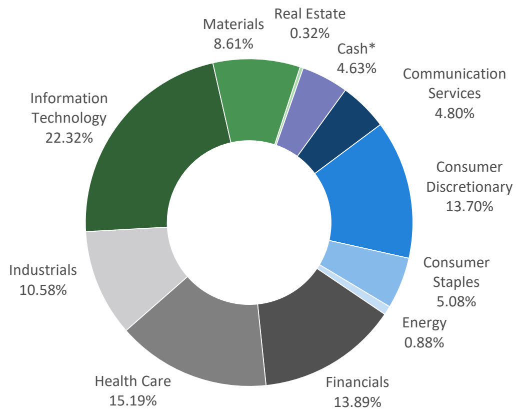
Objective

The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

Five Year Cumulative Performance (gross), $10,000 invested[1,2]



Asset Allocation



nikko am
Nikko Asset Management

Top 10 Holdings	Fund	MSCI	Country
Microsoft Corp	3.77%	2.70%	US
Amazon.com	3.18%	2.34%	US
Taiwan Semiconductor	2.80%	0.78%	Taiwan
Visa Inc	2.33%	0.62%	US
Tencent Holdings	2.16%	0.71%	China
Progressive Corp	1.91%	0.10%	US
Anglo American plc	1.90%	0.07%	South Africa
Reliance Steel & Aluminum	1.81%	0.00%	US
Mercadolibre Inc	1.76%	0.13%	Argentina
Steel Dynamics Inc	1.74%	0.01%	US

Manager	Allocation	Active Return
NAM Europe	31.56%	1.70%
Royal London	39.35%	-0.06%
WCM	27.27%	-1.13%
Cash & Derivatives	1.81%	N/A

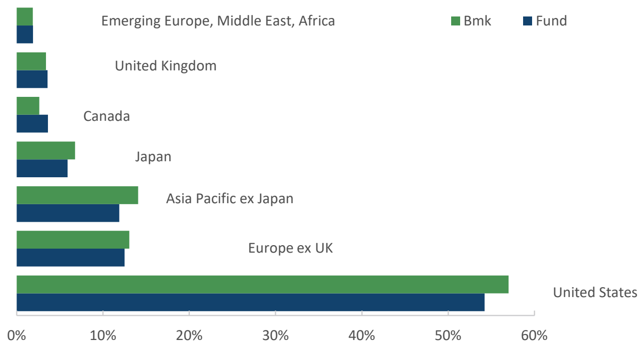
What helped		What Hurt	
Tencent Holdings	OW	Visa Inc	OW
Taiwan Semiconductor	OW	Progressive Corp	OW
Eli Lilly & Co	OW	Safran SA	OW

OW: overweight; UW: underweight; NH: no holding – month end position

Market Commentary

Global equity markets were broadly flat in January, as they consolidated the material gains seen following the release of promising COVID-19 vaccine data at the end of 2020. Although there remained real optimism about the rate of economic recovery as these vaccines are administered, it is fair to say that investor positioning had shifted materially and markets had begun to price in at least some of this good news following the strength seen in November and December. Fears that seemingly limitless support from monetary policy may inflate asset price bubbles have been quietly increasing in recent months. US small cap stocks proved the ideal battleground for a very high-profile fight between some US hedge funds and large numbers of retail investors, acting in concert. Shares like Gamestop and AMC Entertainment soared as short positions were squeezed and retail investors made huge profits at the expense of some institutions – for a while, at least. January also saw a reminder that politicians may continue to struggle to provide further impetus to the economic recovery. Although President Biden's $1.9 Trillion stimulus plan looks well considered, substantial political hurdles remain to be overcome, before this money makes its way into the pockets of US companies and consumers. Valuations within the Industrials and Materials sectors generally reflect more of the return to pre-COVID 'normal' than some other parts of the market and some pause for breath was justified with the shape of economic recovery still unclear. Cyclicals with more depressed starting valuations fared better, with Energy outperforming this month. Information Technology modestly outperformed, boosted by strong returns from index heavyweights like Microsoft. The picture was also somewhat mixed within the defensive parts of the market. Healthcare outperformed, buoyed by a strong start to its earnings season and a sense that the new US Administration may not pursue a radical reform agenda. Consumer Staples, however, continued to underperform

Geographical Allocation



EM exposure **Fund 12.08%** **Benchmark 13.66%**

Fund Commentary

The fund returned -0.93% in January to underperform the index. Of the three underlying managers, WCM (-112 bps) was the primary detractor from performance, NAME and Royal London, had far better relative performance in January and helped the fund to outperform. Some of the top individual contributors to performance in January were interactive media holding company **Tencent** which gained after the technology sector came back into vogue. Mainland Chinese investors substantially boosted their holdings in Tencent this month, and US officials decided against their decision to ban investment in both Tencent and Alibaba. Chipmaker **Taiwan Semiconductor** (TSMC) one of the world's most strategically important companies, advanced to yet another all-time high in January. **SVB Financial** outperformed on the back of better-than-expected results. Looking at some of the major underperformers in January, insurance company **Progressive Corp** struggled on the back of mixed results. Whilst the company demonstrated robust commercial and property margins, personal lines premiums fell short of expectations raising concerns about margin compression. The consumer electronics business **Dolby Laboratories** underperformed as its licensing and cinema businesses continue to be affected by COVID-19-related restrictions. Consumer staples giant and soft drinks maker **Coca-Cola** was negatively impacted by news flow around its ongoing tax dispute with the Internal Revenue Service (IRS), which could negatively impact forward earnings.

Key Facts

Distributions

Generally does not distribute

Hedging

Any foreign currency exposure is gross hedged at 139% to NZD. The permitted operational hedging range is 134% to 144%.

Estimated annual fund charges (Incl. GST)

Wholesale: negotiated outside of the unit price

Retail: 1.43%, refer PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07% / 0.07%	October 2008	$112.5m

Exclusions

Any security that conduct activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009 and tobacco manufacturers.

Compliance
The wholesale fund complied with its investment mandate and trust deed during the month.

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