

NIKKO AM GLOBAL EQUITY UNHEDGED STRATEGY

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

Market Overview

- Global equity markets took two steps forward and one step back over the quarter – advancing 0.80% in July and 1.64% in August before retreating 2.19% in September.
- For the three-month period, the MSCI All Countries World Index had a return of 0.22% (NZD, unhedged). Despite losses incurred in September, investors were encouraged by a reasonably strong reporting season.
- For much of the quarter, investors were reassured that gradually rising energy prices and softening economic data would slow the pace of any tightening of monetary policy. By the end of September, however, the inflation observed in energy markets was so severe that investors started to worry much more about their impact on future economic activity.

Fund Highlights

- The Fund returned 1.55% in the third quarter to outperform the Benchmark return of 0.22% by 133 basis points (bps).
- The Fund benefitted from its overweight exposures to HCA Healthcare, Old Dominion Freight Line, West Pharma Services and Constellation Software, as well as nil exposure to China's Alibaba Group which plunged 34% over the quarter. The main detractors from performance were underweight exposures to Apple and Tesla, which both outperformed over the quarter, as well overweight exposures to Magazine Luiza, LHC Group and Tencent Holdings which all underperformed over the quarter.

Performance

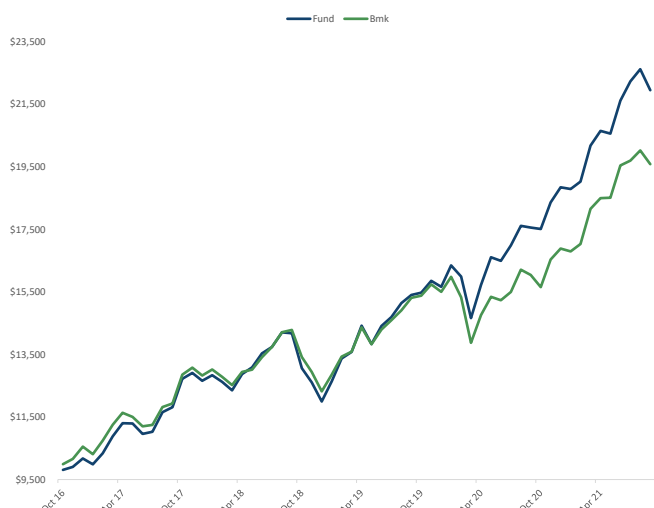
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-2.96%	1.55%	25.03%	15.69%	17.04%	15.29%
Benchmark ²	-2.19%	0.22%	22.11%	11.10%	14.40%	13.43%
Retail ³	-2.91%	1.80%	25.27%	14.79%	16.23%	

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), in NZD terms. 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.

Five Year Cumulative Performance (gross), \$10,000 invested ^{1,2}



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.

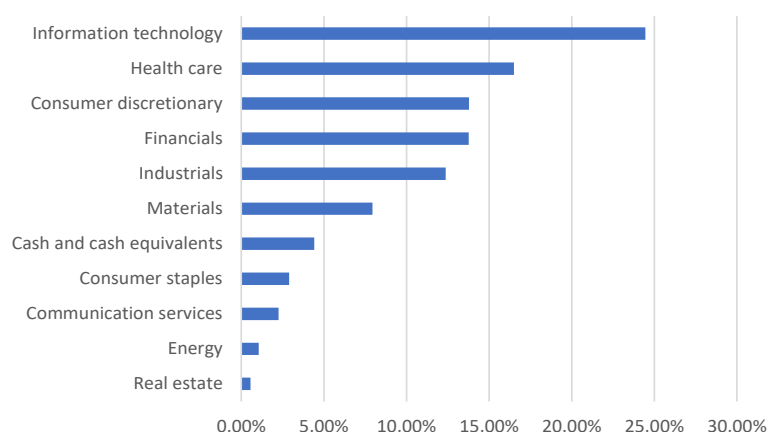
Overview

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 unhedged.

Objective

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

Asset Allocation



Top 10 Holdings	Fund	Country	Manager	Allocation	Active Return
Microsoft Corp	4.74	US	NAM Europe	28.98%	2.01%
Amazon Com Inc.	3.32	US	Royal London	42.72%	0.79%
Visa Inc.	2.15	US	WCM	25.86%	1.51%
Constellation Software	2.12	Canada	Cash & Derivatives	2.44%	N/A
HCA Healthcare Inc.	2.07	US			
Progressive Corp	2.04	US			
Taiwan Semiconduct Manufacturing	2.01	Taiwan			
Old Dominion Freight Line Inc.	1.99	US			
Steel Dynamics Inc.	1.97	US			
Anglo American Plc.	1.86	US			

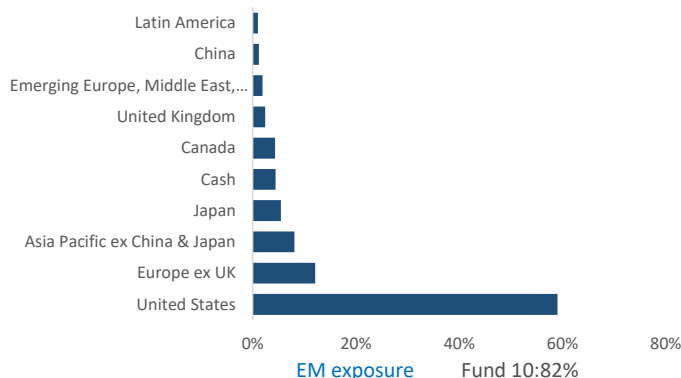
What helped	What Hurt
HCA Healthcare	OW Apple Inc. UW
Old Dominion Freight Line	OW Tesla Inc. UW
Alibaba Group	UW Magazine Luiza OW

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

Market Commentary

Global equity markets took two steps forward and one step back over the quarter – advancing 0.80% in July and 1.64% in August before retreating 2.19% in September. Despite losses incurred in September, investors were encouraged by a reasonably strong reporting season. For much of the quarter, investors were reassured that gradually rising energy prices and softening economic data would slow the pace of any tightening of monetary policy. By the end of September, however, the inflation observed in energy markets was so severe that investors started to worry much more about their impact on future economic activity. These developments in energy markets have increasingly fed into bond markets over the period too. Although bond yields started the quarter in retreat, they were rising sharply by the end of September – partly attributable to rising inflation expectations diminishing the appeal of relatively long duration assets. This dynamic fed through into a measure of style rotation – with value sectors beginning to outperform their long duration growth counterparts. Japan has been a notable outperformer over the quarter as a change in political leadership once again stoked hopes of long-awaited reforms. On the other hand, Emerging Markets fared less well – squeezed by rising energy costs, concern over economic growth in China (driven by a combination of Government policy and energy shortages) and a very strong USD. Other major regions performed more-or-less in line with the market, with the US modestly outperforming and Europe ex UK underperforming by a similar amount.

Geographical Allocation



Fund Commentary

The fund returned 1.55% in the third quarter to outperform the Benchmark return of 0.22% by 1.33%. All three underlying managers outperformed, while in terms of style drivers, Growth modestly outperformed Value. The fund benefitted from its overweight exposures to HCA Healthcare, Old Dominion Freight Line, West Pharma Services and Constellation Software, as well as nil exposure to China's Alibaba Group which plunged 34% over the quarter. The main detractors from performance were underweight exposures to Apple and Tesla, which both outperformed over the quarter, as well as overweight exposures to Magazine Luiza, LHC Group and Tencent Holdings which all underperformed over the quarter. WCM added three new holdings over the quarter (Lam Research, Floor & Décor Holdings and Repligen Corp), while selling out of Tencent Holdings. US-based Lam Research is a leading manufacturer of equipment used to make semiconductors. Floor & Décor (FND) Holdings is a hard flooring retailer with a differentiated business model, talented management team, good box economics and a long reinvestment runway. Repligen Corp is a bioprocessing company focused on the development, production, and commercialisation of innovative products used in the process of manufacturing biologic drugs. Regarding Tencent, the Chinese government has taken significant steps this year to reign in its large technology companies that have enjoyed home field advantage and years of unfettered growth.

Key Facts

Distributions

Generally does not distribute

Hedging

Any foreign currency exposure is unhedged.

Restrictions

Investment prohibited in any security that conducts activities listed on the Schedule to the Cluster Munitions Prohibition Act 2009.
Investment prohibited in tobacco manufacturers.

Estimated annual fund charges (Incl. GST)

Wholesale: negotiated outside of the unit price
Retail: 1.42%, refer PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07% / 0.07%	October 2008	\$219.9m

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

Contact Us www.nikkoam.co.nz | nzenquiries@nikkoam.com

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