

NIKKO AM GLOBAL SHARES UNHEDGED STRATEGY

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

Market Overview

- Equities benefitted from a reasonably supportive corporate earnings season at the start of the quarter then, as the quarter wore on, inflationary pressure built, and equities were seen as offering better real returns than bonds.
- Information Technology was the best performing sector over the course of the quarter.
- The combination of Omicron variant of COVID-19 and flattening yield curves saw traditional value sectors cede market leadership, with both Energy and Financials failing to build much on gains made earlier in the year. Both sectors underperformed over the quarter.

Fund Highlights

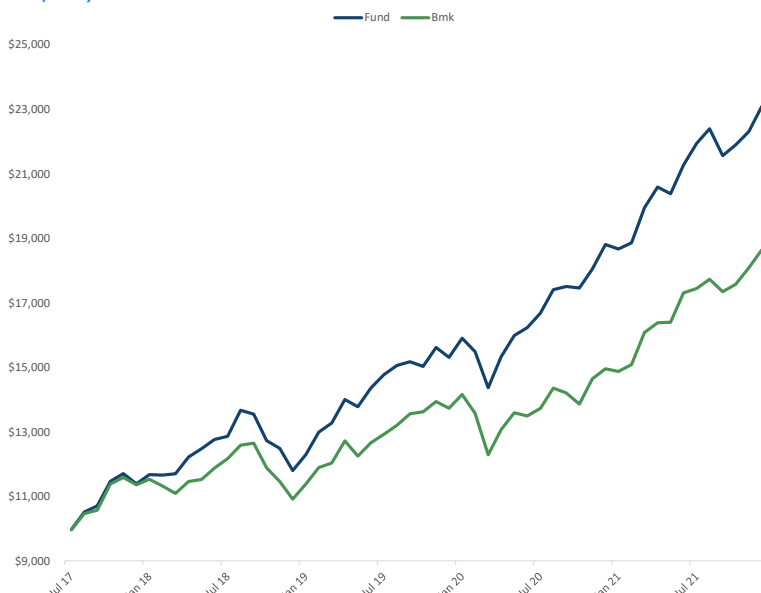
- The fund returned 7.09% for the quarter, 0.40 basis points behind the benchmark.
- Positive contributors to fund performance over the quarter were Accenture, Schneider, Carlisle and Microsoft. Main detractors were Palomar, HelloFresh and LHC Group.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	3.51%	7.09%	22.76%	25.08%	
Benchmark ²	3.10%	7.49%	24.66%	19.55%	
Retail ³	1.61%	5.39%	21.42%	23.99%	
KiwiSaver ³	1.62%	5.42%	21.71%	24.57%	

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.

Since Inception Cumulative Performance (gross), \$10,000 invested.^{1,2}



Investment Manager

The Global Shares Strategy is managed by Nikko AM's Global Equity team that is based in Edinburgh, Scotland. With over 20 years average experience, team members have dual roles of portfolio manager and analyst responsibility and work together on an equal basis to construct client portfolios. This flat investment structure and investment process has been in place since the team's foundation.

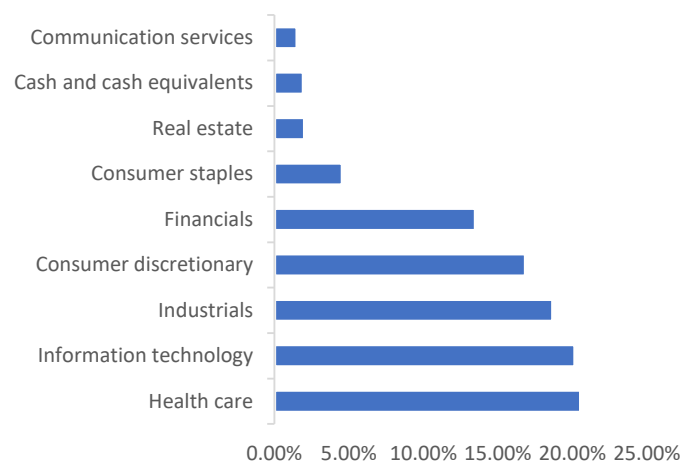
Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth.

Objective

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

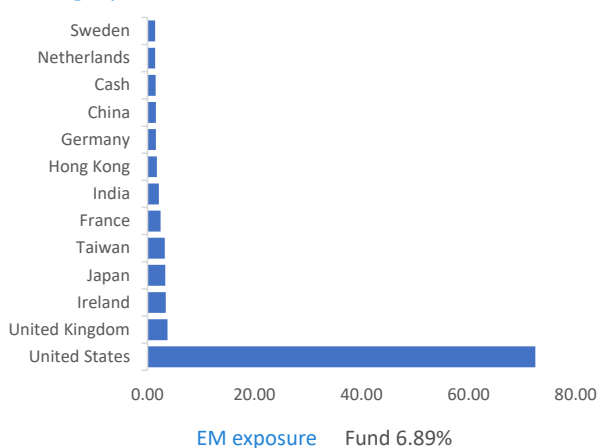
Asset Allocation



Top 10 Holdings (%)

	Fund	Country
Microsoft Corp	6.99%	US
Accenture Plc.	4.09%	Ireland
Carlisle Cos Inc.	3.79%	US
Amazon Com In.	3.69%	US
Abbott Labs	3.35%	US
Sony Corp	3.31%	Japan
Taiwan Semicon Ltd	3.22%	Taiwan
Adobe Inc.	3.10%	US
Compass Group	3.06%	UK
Emerson Electric Co.	2.85%	US

Geographical Allocation



Market Commentary

Equity markets ended a record-breaking year with another string of all-time highs in Q4. The MSCI ACWI closed up over 6% in USD terms during the quarter. Equities benefitted from a reasonably supportive corporate earnings season at the start of the quarter then, as the quarter wore on, inflationary pressure built, and equities were seen as offering better real returns than bonds. The final quarter of 2021 also brought us confirmation that the global COVID pandemic is not quite behind us, with South Africa discovering the latest variant (Omicron) towards the end of November. Although yield curves steepened towards the end of the year, they flattened for much of the quarter – with rising short-term yields not matched by longer-dated bonds (even though the Fed has now acknowledged that some inflationary pressures are no longer “transitory”). This served to underscore the appeal of long duration growth stocks. Information Technology was the best performing sector over the course of the quarter. The combination of Omicron variant of COVID-19 and flattening yield curves saw traditional value sectors cede market leadership, with both Energy and Financials failing to build much on gains made earlier in the year. Both sectors underperformed over the quarter. Regionally, the US outperformed the index, helped by its relatively heavy exposure to big cap technology stocks. All of the other major regional indices underperformed, with the UK and Europe faring worse.

Fund Commentary

The fund returned 7.09% for the quarter, 0.40% behind the benchmark. Positive contributors to fund performance over the quarter were Accenture, Schneider, Carlisle and Microsoft. Accenture outperformed after releasing stronger than expected fiscal Q1 earnings and delivering an upbeat outlook for 2022. On Schneider and Carlisle – both benefitted from positive sentiment towards construction spending going into 2022 and management teams at both companies have been putting forward very confident messages about how they see their mid-term growth opportunities in recent months. In both cases, demand for their products is underpinned by the need to make commercial buildings more energy efficient. Spending on these measures would have been given a boost by the US ‘Build Back Better’ infrastructure plans. Microsoft outperformed this quarter on the back of extremely strong quarterly results. Azure, Microsoft’s cloud solution, grew 50% YOY, exceeding guidance, and is now 21% of total revenue. Main detractors were Palomar, HelloFresh and LHC Group. Palomar was weak over the period with no stock specific news driving the weakness. Recent weeks have seen some underperformance from small and mid-cap stocks with investors preferring the relative liquidity of large cap stocks as the Federal Reserve begins to tighten monetary policy. HelloFresh fell after guiding to weaker than expected profit margins in 2022 as the company continue to invest heavily in expanding their competitive advantage. LHC Group underperformed over the period. News of the discovery of a new COVID-19 variant threatened potential future disruption to US nurse availability when that variant arrives in the US and if vaccination / natural immunity has not improved before it does.

Key Fund Facts

Distributions

Generally does not distribute.

Exclusions

Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.

Restrictions

Adult entertainment, tobacco stocks, ‘controversial weapons’, gambling, fossil fuels, alcohol stocks. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <https://www.nikkoam.co.nz/invest/retail>.

Estimated annual fund charges

Wholesale: negotiated outside of the unit price
 Retail 1.20%, refer to PDS for more details
 KiwiSaver 1.15% refer to PDS for more details

Buy / Sell spread: 0.07%/0.07% **Strategy Launch** July 2017 **Strategy size** \$584.5m

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

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