Factsheet 31 January 2022

NIKKO AM GLOBAL SHARES HEDGED STRATEGY

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

Market Overview

- Investment markets started to take seriously the potential implications of a change in monetary policy direction – particularly in the US. Bond yields jumped as inflationary pressures showed little signs of abating in the early part of the year.
- Although Healthcare underperformed, some defensive sectors fared better. Both Consumer Staples and Utilities outperformed – speaking to investor demand for some downside protection, in case the Federal Reserve's monetary tightening leads to a slowing in economic activity.

Fund Highlights

- The fund was down 9.43%, 319 basis points behind the benchmark.
- Positive contributors to fund performance over the month were Progressive Corp, Deer & Co, Global Payments.
- Main detractors were Bio-Techne and Masimo, Accenture and AdaptHealth and Palomar.

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 with currency exposure created as a consequence of global equity investment hedged to NZD.

Objective

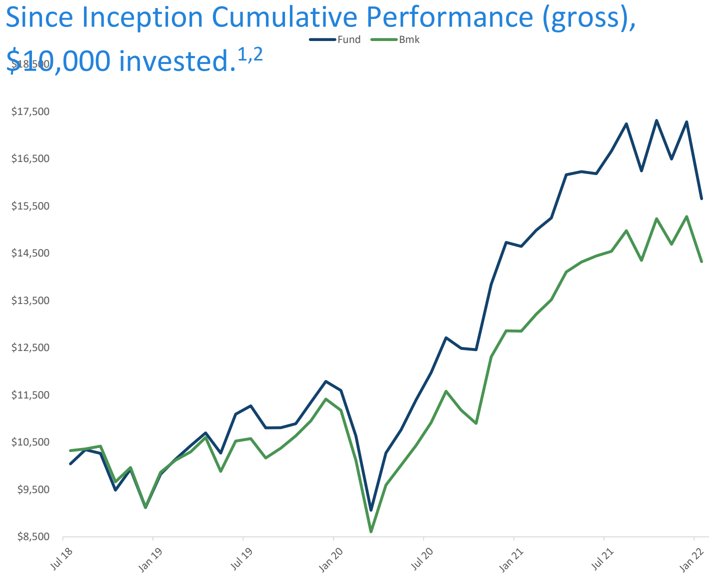
The fund aims to outperform the benchmark, gross hedged 139% to NZD return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

Performance

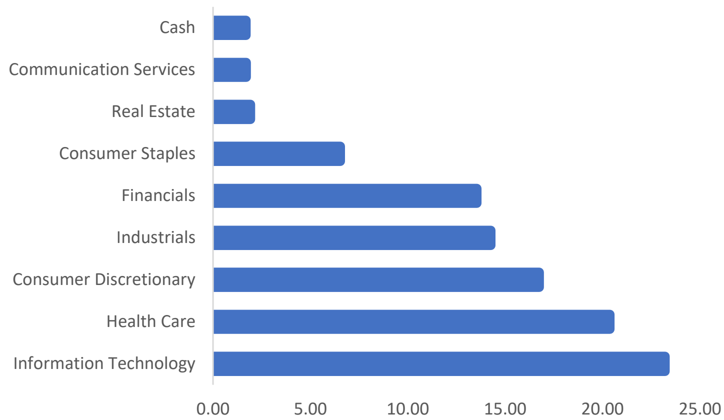
	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale[1]	-9.43%	-9.57%	6.87%	16.80%	
Benchmark[2]	-6.24%	-5.97%	11.45%	13.24%	
Retail[3]	-11.60%	-12.03%	2.19%		

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

Since Inception Cumulative Performance (gross), $10,000 invested.[1,2]



Asset Allocation

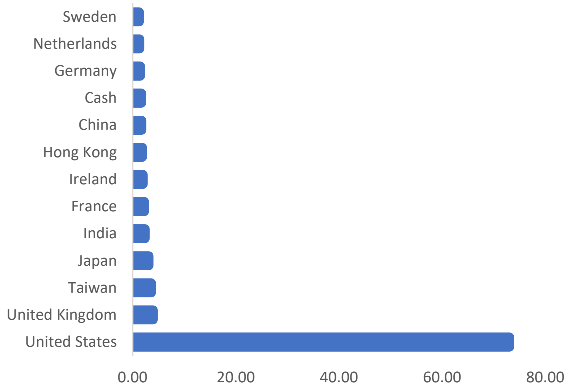


nikko am
Nikko Asset Management

Top 10 Holdings (%)

	Fund	Country
Microsoft Corp	7.76%	US
Amazon Com In.	3.97%	US
Taiwan Semicon Ltd	3.97%	Taiwan
Compass Group	3.68%	UK
Abbott Labs	3.64%	US
Accenture Plc	3.61%	Ireland
Adobe Inc.	3.51%	US
Sony Corp	3.49%	Japan
Emerson Electric Co.	3.39%	US
Coca Cola	3.33%	US

Geographical Allocation



EM exposure Fund 7.76%

Market Commentary

January was the month when investment markets started to take seriously the potential implications of a change in monetary policy direction – particularly in the US. Bond yields jumped as inflationary pressures showed little signs of abating in the early part of the year. Equity market volatility then spiked further after Fed Chairman Powell's testimony to Congress suggested that asset price deflation would not be a reason to ease off rate normalisation. January also saw a meaningful style rotation within the market. Long duration, high growth companies suffered as increased interest rate expectations fed into higher discount rates. In some cases, this sell-off was exacerbated by investor concerns that COVID had pulled forward demand, potentially making earnings growth more challenging as the threat posed by the pandemic fades. This was a particular headwind for the Information Technology as well as Healthcare and these were some of the worst performing sectors this month, with both underperforming the market by around 3% in January. Although Healthcare underperformed, some defensive sectors fared better. Both Consumer Staples and Utilities outperformed – speaking to investor demand for some downside protection, in case the Federal Reserve's monetary tightening leads to a slowing in economic activity. Neither of these sectors have tough COVID-inspired earnings comparables going into 2022. Regionally speaking, the UK was once again one of the best performers – benefitting from their relatively cheap valuation and high exposure to banking, energy and mining shares. Emerging Asia also outperformed – helped by Chinese liquidity injections. The US underperformed, due to the aggressive profit taking seen in the Technology sector and in Consumer Discretionary index heavyweights such as Tesla and Amazon.

Fund Commentary

The fund was 9.43 basis points down, 3.19% behind the benchmark. Positive contributors to fund performance over the month were Progressive Corp, Deer & Co, Global Payments. Progressive Corp outperformed on little stock specific news as the insurance sector generally enjoyed a good month as bond yields moved higher. Agricultural commodity prices have generally been firm in January. With corn prices well known to have a strong impact on investment decisions made by farmers, this should bode well for continued strong demand for the products and services offered by Deere & Co and the shares have outperformed as a result. Global Payments recovered some of the ground lost in recent months in January. Share price weakness last year had seen the stock de-rate to very attractive valuation levels. Main detractors were Bio-Techne and Masimo, Accenture and AdaptHealth and Palomar. Bio-Techne and Masimo have both corrected more than 25% this month. There has been no stock specific news behind these moves, with both stocks yet to report their latest quarterly earnings. Accenture also underperformed last month (caught up in the market rotation noted above) – falling 17%. This fall saw the shares give up all of the gains made in Q4 2021, on the back of much stronger than expected sales and earnings outlook. AdaptHealth and Palomar also fell sharply last month. These moves, however, did not come from as strong a starting point as Accenture.

Key Fund 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%.

Exclusions

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

Estimated annual fund charges

Wholesale: negotiated outside of the unit price

Retail 1.20%, refer to PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07%/0.07%	July 2018	$260.4m

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.

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

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