

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

- Equity markets continued to grind higher in May, led once again by the sectors that drove gains seen in Q1. Market leadership has continued to narrow, with the technology sector powering ahead as excitement built around Artificial Intelligence and its potential applications. Mega cap stocks once again significantly outperformed small and midsize peers during the month as a result.

Fund Highlights

- Nearly all of the outperformers this month were in the IT sector as NVIDIA Corporation's blow-out numbers and forward guidance stoked a boom in all things AI-related. The fund's underweight position in IT was a drag on performance.
- Positive attributors Microsoft Corporation, Accenture Plcs, Taiwan Semiconductor Manufacturing.
- Negative attributors Samsonite, Schlumberger, Haleon.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	0.10%	5.22%	7.19%	11.38%	12.11%
Benchmark ²	1.95%	6.93%	9.53%	11.27%	10.19%
Retail ³	-0.31%	2.97%	5.14%	10.16%	10.65%
KiwiSaver ³	-0.30%	3.01%	5.22%	10.27%	11.12%

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.

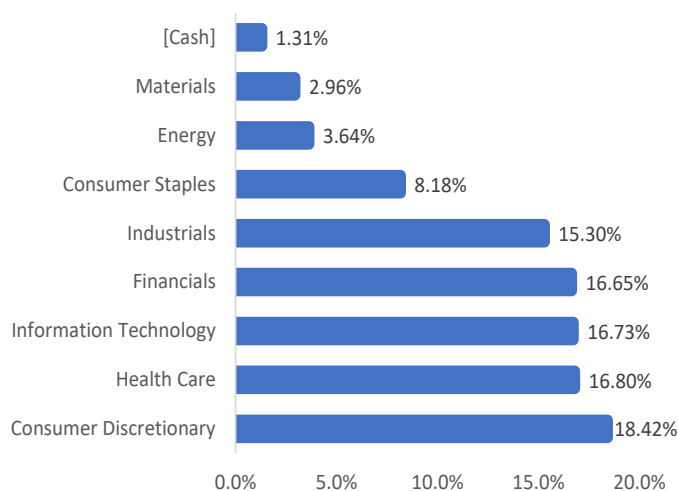
Overview

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.

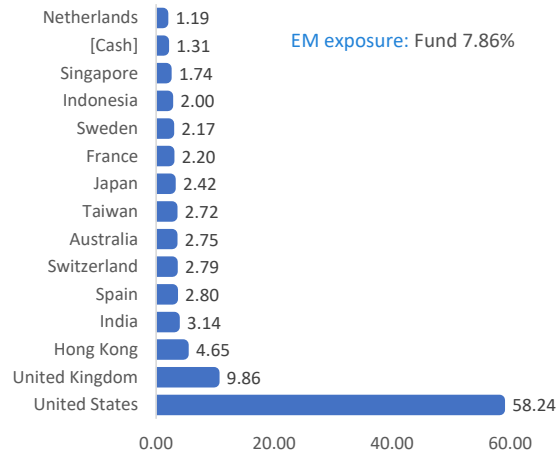
Sector Allocation



Top 10 Holdings

	% of Fund	Country
Microsoft Corp	6.96%	United States
Compass Group Ord GBPO	3.80%	United
HDFC Bank Ltd	3.12%	India
Linde Plc	2.94%	Ireland
Haleon Plc	2.88%	United
Kbr Inc	2.85%	United States
Amadeus It Hldgs	2.79%	Spain
Nestle Sa	2.78%	Switzerland
Booking Hldgs Inc Com	2.74%	United States
Worley Limited	2.74%	Australia

Geographical Allocation



Market Commentary

Equity markets continued to grind higher in May. Market leadership has continued to narrow, with the technology sector powering ahead as excitement built around Artificial Intelligence and its potential applications. Almost 250 out of the 343 stocks within the MSCI ACWI Information Technology Index outperformed the broader ACWI benchmark. Many of these companies will have no discernible benefit from any boom in investment spending on the infrastructure needed for AI to really take off. With global economic growth looking weaker, economic cyclicals underperformed in May (particularly Energy and Materials) and Information Technology and Communication Services returned to the top of the sector performance charts. The power of Big Tech saw the US be one of the month’s strongest regions, but top of the pile was Japan. The country is seeing an end to years of disinflation and real wages are increasing. With evidence beginning to emerge of better corporate governance, and a relatively low starting valuation, this continues to attract more investors to the country. Recent data has also confirmed that Europe’s largest economy, Germany, is in recession.

Fund Commentary

Nearly all of the outperformers this month were in the IT sector as NVIDIA Corporation’s blow-out numbers and forward guidance stoked a boom in all things AI-related. The fund’s underweight position in IT was a drag on performance, however positions in Microsoft Corporation, Accenture Plcs, Taiwan Semiconductor Manufacturing positively contributed to performance.

Samsonite International S.A. gave up recent gains despite releasing a strong trading update – strong sales growth and better than expected margins. The catalysts for the sell-off were cautious commentary from some luxury goods companies about emerging weakness in US travel-related demand, as well as investor concerns about the health of China’s economic recovery.

Schlumberger N.V. has underperformed in sympathy with most commodity stocks during the month, as China’s economic recovery post COVID-19 reopening has disappointed and economic data has continued to soften in some developed world markets too.

Haleon Plc was weak after Glaxo and Pfizer announced their intention to proceed with their previously flagged plans to reduce their stakes in the company. Although this will create better long-term liquidity in the stock (positive) - these placings will represent something of an overhang in the near term. Glaxo successfully placed 2.5% of the company with only a 2% discount to the listed price pre-placing – showing strong demand for the shares.

Our sole focus is trying to position the portfolio correctly for what may or may not develop in the world of AI. We are continuously monitoring our investments that have performed well and where valuations are beginning to look more stretched as a result. We are also regularly engaging with the management teams of those companies where the investment case has not delivered the expected returns.

Key Fund Facts

Distributions: Generally does not distribute

Exclusions: Controversial weapons. Tobacco manufacturers.

Restrictions Adult entertainment, 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:	Strategy Launch	Strategy size
0.07%/0.07%	July 2017	\$557m

Compliance

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

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