

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 had a relatively quiet month in August, with the MSCI ACWI rising 1.6% (in NZD terms) - consolidating gains made earlier in the year.
- Due to foreign exchange market volatility at the start of the month, there was a divergence in the hedged fund performance versus the hedged benchmark performance in July that was offset in August.
- This month's batch of economic data suggested more firmly than in recent months, that further monetary tightening may not be necessary, with the US economy continuing to cool gradually.
- The weakest performance was seen in Emerging Markets – with GEM Asia and Latin America comfortably lagging the market.
- Energy was the best performing sector in the market this month – rising more than 5%.

Fund Highlights

- The fund posted a positive return of 2.69% ahead of the benchmark of 1.60% for the month.
- Positive attributors – Samsonite International S.A., Encompass Health Corporation and Progressive Corporation.
- Negative attributors – Palomar Holdings, Inc., Box, Inc. and Sony Group Corporation.

Performance

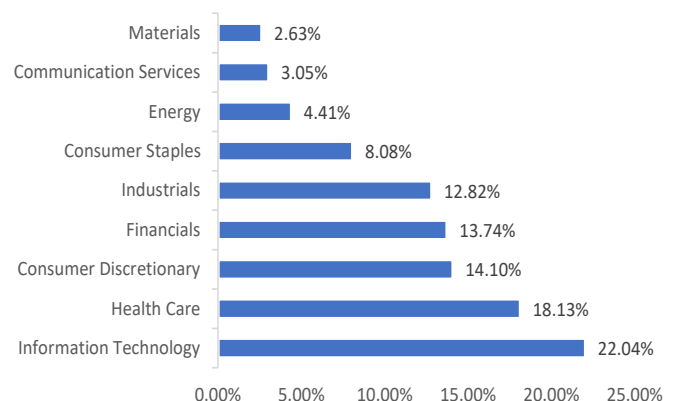
	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	2.69%	5.32%	11.98%	10.15%	11.22%
Benchmark ²	1.60%	7.31%	17.33%	11.86%	9.81%
Retail ³	2.11%	5.62%	10.24%	8.68%	9.97%
KiwiSaver ³	2.12%	5.63%	10.31%	8.78%	10.36%

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 invested¹



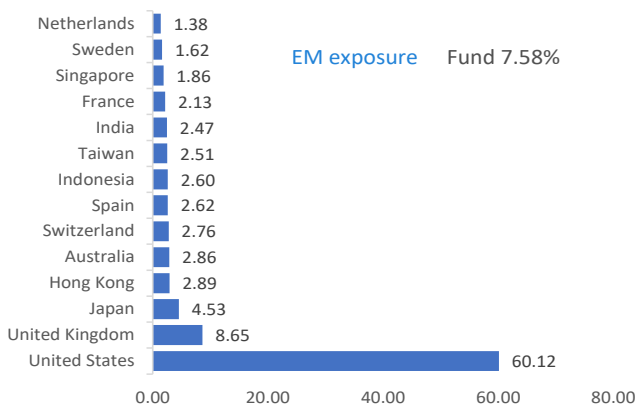
Sector Allocation



Top 10 Holdings

Security name	% of Fund	Country
Microsoft	6.74	United States
Accenture	3.50	Ireland
Netflix	3.04	United States
Haleon	2.89	United Kingdom
Samsonite	2.89	Luxembourg
KBR	2.88	United States
Worley	2.85	Australia
Schlumberger	2.77	United States
Compass Group	2.77	United Kingdom
Nestle	2.75	Switzerland

Geographical Allocation



Market Commentary

Equity markets had a relatively quiet month in August, with the MSCI ACWI rising 1.6% (in NZD terms) - consolidating gains made earlier in the year. The month saw a real two-way pull, between deteriorating economic data and hopes that this would soon lead to a more supportive monetary policy backdrop. This month’s batch of economic data suggested more firmly than in recent months, that further monetary tightening may not be necessary, with the US economy continuing to cool gradually. Gauges of economic performance in Europe have also continued to weaken with the regions composite PMI firmly in contraction at 46.7, industrial production falling and consumer confidence weakening. The oil price has, however, bucked this generally negative tone – rising towards USD90 per barrel by the end of the month (having been as low as USD70 per barrel as recently as June). Energy was the best performing sector in the market this month – rising more than 5%. In a further sign of this optimism, the US outperformed the market in August. Japan also performed relatively well. The weakest performance was seen in Emerging Markets – with GEM Asia and Latin America comfortably lagging the market. Europe and the UK also underperformed somewhat.

Fund Commentary

We continue to focus our positioning on real world ‘needs’ rather than ‘wants’. Energy security remains at the forefront of this and this month’s sparring between the BRICS economies and the US continues to suggest to us that spending on energy infrastructure will remain a real imperative for many countries in the coming years. Our investments in this area (including Worley Limited, Schlumberger Limited and ChampionX Corporation) have enjoyed improving relative performance in recent months and we expect this to continue in the future.

We are continuing to improve our portfolio’s weather-proofing by adding companies with a proven track record of delivering good growth and returns, even when the economic cycle is less in their favour.

Positives: Samsonite International S.A. outperformed on the back of a strong set of quarterly numbers, with sales in all regions returning to pre-Covid levels and significantly stronger margins as a result of the new expense structure. Management commentary on continued global travel demand was very encouraging. **Encompass Health Corporation** rose strongly at the start of the month, after releasing strong quarterly earnings. Patient volume growth is recovering more quickly than expected, following the disruption caused by COVID-19. **Progressive Corporation** was strong after issuing a reassuring trading update during the month. Premium growth remained strong (at 21%) and the combined ratio came in lower than expected in its auto insurance business, after seeing some short-term pressure the previous month.

Negatives: Palomar Holdings, Inc. underperformed in August as the company continues to face reinsurance headwinds. Despite this, the company should be able to successfully manage its way through these issues due to its sensible approach to underwriting, unique earthquake-focused book, and growth opportunities in the earthquake insurance market. **Box, Inc.** shares declined after cutting its full-year revenue forecast in its quarterly earnings release. The challenging macroeconomic environment has been affecting Box customers’ IT budgets, hampering user growth and revenue retention for the company. The Japanese market had been performing well versus other markets due to a combination of a more stable currency (as greater normalization of policy was expected) and a greater push amongst market participants for better capital allocation amongst listed companies. However, over the last few months, we have seen a combination of profit taking and renewed weakness in the Yen, and this has been the major factor behind the relative weakness of **Sony Group Corporation**.

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	\$581.5m

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

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