

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

- Global equity markets were broadly flat in January, as they consolidated the material gains seen following the release of promising COVID-19 vaccine data at the end of 2020.
- January also saw a reminder that politicians may continue to struggle to provide further impetus to the economic recovery. Although President Biden's \$1.9 Trillion stimulus plan looks well considered, there are substantial political hurdles to be overcome, before this money makes its way into the pockets of US companies and consumers.
- The Energy sector outperformed this month. Information Technology modestly outperformed, boosted by strong returns from index heavyweights like Microsoft. Healthcare also outperformed, buoyed by a strong start to its earnings season and a sense that the new US Administration may not pursue a radical reform agenda. Consumer Staples, however, continued to underperform.

Fund Highlights

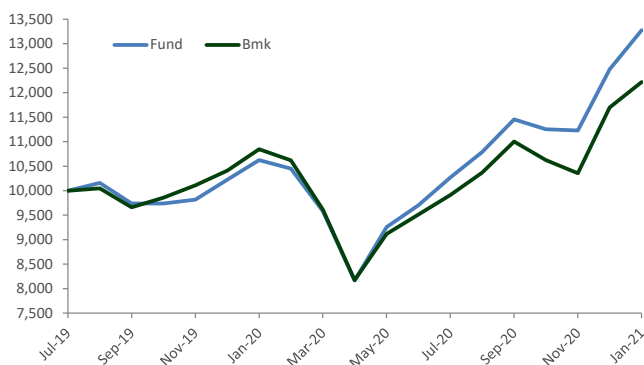
- The portfolio returned -0.57% for the month, underperforming benchmark.
- Tencent, HelloFresh and SVB Financial positively contributed to performance for the month.
- Coca-Cola, TransUnion and Dolby were amongst the underperformers in the fund.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-0.57%	17.56%	26.31%			
Benchmark ²	-0.04%	17.92%	15.01%			
Retail ³	0.45%	17.17%	24.20%			

- Returns are before tax and before the deduction of fees. Based on actual calendar periods.
- Benchmark: MSCI All Countries World Index (net dividends reinvested), 139% gross hedged to NZD. No tax or fees.
- 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.

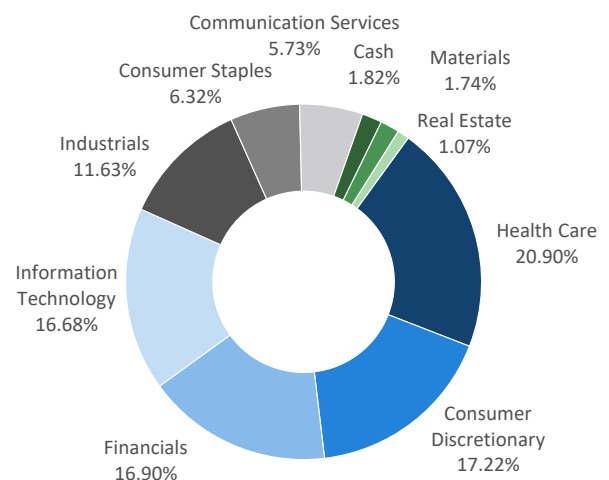
Overview

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

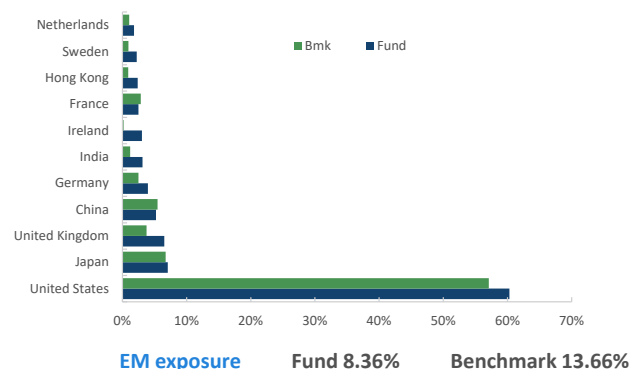
Asset Allocation



Top 10 Holdings

	Fund	MSCI	Country
Microsoft Corporation	5.36	2.83	US
Amazon.com, Inc.	4.22	2.32	US
HelloFresh SE	3.98	0.02	Germany
Tencent Holdings Ltd.	3.69	0.86	China
HDFC	3.13	0.00	US
Palomar Holdings, Inc.	3.09	0.00	US
Sony Corporation	3.09	0.21	Japan
LabCorp	3.07	0.04	US
SVB Financial Group	3.03	0.04	US
Accenture Plc Class A	2.83	0.26	US

Geographical Allocation



Market Commentary

Global equity markets were broadly flat in January, as they consolidated the material gains seen following the release of promising COVID-19 vaccine data at the end of 2020. Although there remained real optimism about the rate of economic recovery as these vaccines are administered, it is fair to say that investor positioning had shifted materially and markets had begun to price in at least some of this good news following the strength seen in November and December. Fears that seemingly limitless support from monetary policy may inflate asset price bubbles have been quietly increasing in recent months. US small cap stocks proved the ideal battleground for a very high profile fight between some US hedge funds and large numbers of retail investors, acting in concert. Shares like Gamestop and AMC Entertainment soared as short positions were squeezed and retail investors made huge profits at the expense of some institutions – for a while, at least. January also saw a reminder that politicians may continue to struggle to provide further impetus to the economic recovery. Although President Biden’s \$1.9 Trillion stimulus plan looks well considered, substantial political hurdles remain to be overcome, before this money makes its way into the pockets of US companies and consumers. Valuations within the Industrials and Materials sectors generally reflect more of the return to pre-COVID ‘normal’ than some other parts of the market and some pause for breath was justified with the shape of economic recovery still unclear. Cyclical with more depressed starting valuations fared better, with Energy outperforming this month. Information Technology modestly outperformed, boosted by strong returns from index heavyweights like Microsoft. The picture was also somewhat mixed within the defensive parts of the market. Healthcare outperformed, buoyed by a strong start to its earnings season and a sense that the new US Administration may not pursue a radical reform agenda. Consumer Staples, however, continued to underperform.

Fund Commentary

The fund returned -0.57% for the month, behind benchmark. Positives for the portfolio included **Tencent**, after the Tech sector came back into vogue this month. Hong Kong equities have also been a major beneficiary of thawing Sino-US relations following Trump’s exit from the White House. **HelloFresh** continued to outperform this month following news of renewed lockdowns across much of Europe. With restaurants closed and supermarkets limiting capacity, the meal-kit player offers a tasty and convenient solution for consumers. **SVB Financial** also outperformed on the back of better-than-expected results this month. Negatives included **Coca-Cola** which was negatively impacted by newsflow around its ongoing tax dispute with the IRS, which could negatively impact forward earnings. The dispute relates to how KO is licensing intangible property to its local concentrate supply hubs and the implications of this for where taxable income is recognised and taxes are paid. **TransUnion** suffered as investors continued to rotate into cyclical within industrials. **Dolby** underperformed because its licensing and cinema businesses continue to be affected by COVID-related restrictions. The market is hesitant around sales recovery and the rate of adoption of newer products.

(**Bold** denotes stocks held in the portfolio)

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.

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 1.22%, refer to PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07%/0.07%	July 2018	\$157.5m

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

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