

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 continued to rise in May, though the gains were more limited in nature than in recent months. Bond yields similarly consolidated recent gains, rather than pushing higher still. Although economic data has remained generally firm, the rate at which it is (positively) surprising has slowed somewhat in recent months, particularly in the US
- May saw China become a bit more assertive in its attempts to control commodity prices. Increasing focus has been placed on the role of financial speculation on recent sharp gains in prices from copper to iron ore and has prompted the NDRC to announce that it will strengthen price controls in these markets during its next 5-year plan.
- Commodity-driven sectors of the equity market resumed leadership this month, with both the Energy and Materials sectors posting strong gains. Financials also outperformed, despite less support from the US yield curve. Within the cyclical parts of the market, Consumer Discretionary delivered the weakest performance of any sector in May.

Fund Highlights

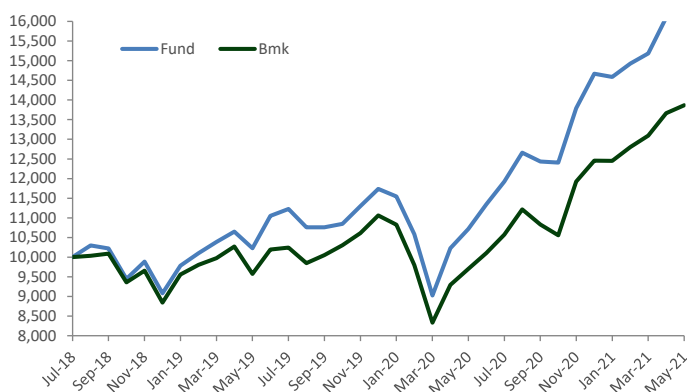
- The portfolio underperformed the index in May, mostly due to underweight exposure to the Energy and Materials sector.
- HelloFresh, HDFC Bank and LQK added value to the portfolio.
- Global Payments, LHC and Bio-Techne detracted from value over the month.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	0.40%	8.27%	50.76%		
Benchmark ²	1.48%	8.33%	42.95%		
Retail ³	-0.99%	5.76%	48.77%		

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}



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.

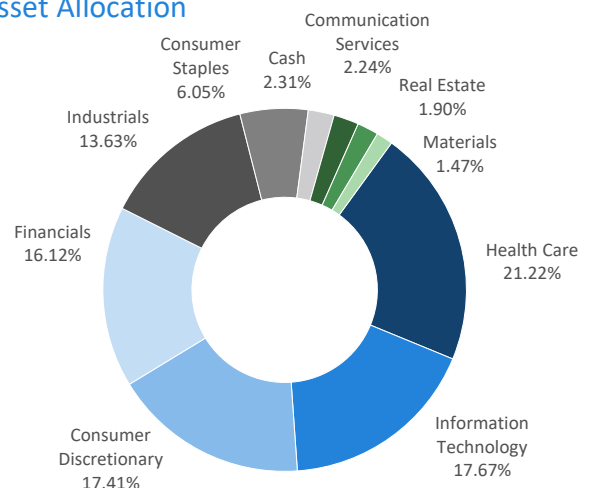
Overview

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.

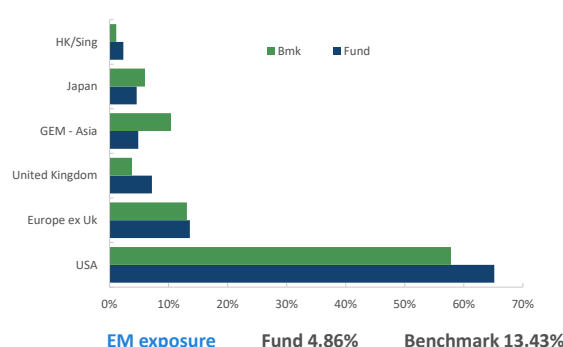
Asset Allocation



Top 10 Holdings

	Fund	MSCI	Country
Microsoft Corporation	5.17	2.72	US
Amazon.com, Inc.	3.41	2.10	US
Compass Group PLC	3.32	0.06	UK
HelloFresh SE	3.27	0.02	Germany
Aon Plc	3.08	0.09	US
Lab. Corp. of America Holdings	2.99	0.04	US
Accenture Plc Class A	2.96	0.27	US
Abbott Laboratories	2.94	0.31	US
Anthem, Inc.	2.94	0.15	US
Sony Group Corporation	2.94	0.19	JP

Geographical Allocation



Market Commentary

Global equity markets continued to rise in May, though the gains were more limited in nature than in recent months. Bond yields similarly consolidated recent gains, rather than pushing higher still. Although economic data has remained generally firm, the rate at which it is (positively) surprising has slowed somewhat in recent months, particularly in the US. Markets did not react much to this data. May saw China become a bit more assertive in its attempts to control commodity prices. Increasing focus has been placed on the role of financial speculation on recent sharp gains in prices from copper to iron ore and has prompted the NDRC to announce that it will strengthen price controls in these markets during its next 5-year plan, running from 2021 to 2025. Despite this pause in underlying commodity price appreciation, the commodity-driven sectors of the equity market resumed leadership this month, with both the Energy and Materials sectors posting strong gains. Financials also outperformed, despite less support from the US yield curve. Within the cyclical parts of the market, only Consumer Discretionary bucked the trend, delivering the weakest performance of any sector in May. Index heavyweights Amazon and Tesla both fell this month. The performance of these stocks was indicative of a renewed outperformance of value relative to growth and this was also evident in the relatively weak performance of the Information Technology sector this month. Although Healthcare slightly outperformed (along with Consumer Staples), it was lower growth sub-sectors like Pharmaceuticals and Hospitals that led the way, rather than traditional growth bellwethers like medtech. In terms of regional returns, Europe outperformed this month – helped by its relatively high weight in cyclical sectors and by the sense that vaccination programmes in the region are finally catching up with the US and the UK. Whilst some, smaller Emerging Markets also fared relatively well (likely fuelled by the depreciation of the USD), GEM Asia underperformed as China’s monetary tightening held that region back. The US also underperformed in May, not helped by its relatively high exposure to growth sectors.

Fund Commentary

The portfolio underperformed the index in May, mostly due to underweight exposure to the Energy and Materials sector. Positives include **HelloFresh** which continued to outperform following an encouraging business update at the company’s AGM. Management upgraded guidance for FY21 CAPEX from EUR150 million to EUR200 million, highlighting HelloFresh’s strong cash generation and ability to reinvest for top-line growth, **HDFC Bank** which recovered this month as India’s second wave of COVID-19 infections looks to have peaked, suggesting improved economic activity in the country going forward and **LK** a US auto-parts and accessories supplier, outperforming on the back of impressive quarterly results at the end of last month with revenues higher than expected due to strong growth in the recreational vehicle market. Negatives included **Global Payments** which succumbed to profit taking following quarterly results at the start of the month, **LHC Group** also underperformed this month. Although they did see some disruption as a result of COVID-19, their business is seen as a long-term beneficiary from changes made to control the virus’s spread. With infection rates continuing to look well controlled, investors continue to prefer relative losers from the pandemic. **Bio-Techne** suffered a similar fate.

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 1.20%, refer to PDS for more details

Buy / Sell spread:

0.07%/0.07%

Strategy Launch

July 2018

Strategy size

\$218.6m

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

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