NIKKO AM GLOBAL SHARES HEDGED STRATEGY

Factsheet 30 November 2021

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 took a hit during November as investors became nervous following the announcement of another COVID-19 variant - Omicron. Inflation continues to be relatively high in a number of economies putting focus on the response from Central Banks.
- Information Technology was by far the strongest performing sector this month – helped by its relatively high exposure to mega-cap stocks and its status as a relative winner if COVID-19 once again starts to impact economic recovery.
- Regionally speaking, the US was the only region to outperform the index this month, helped by its relatively heavy exposure to big cap technology stocks. All other major regional indices underperformed, with the UK and Europe faring worse than Asian markets.

Fund Highlights

- The fund returned -4.72% for the month, underperforming the benchmark. Positive contributors to fund performance over the month were HelloFresh, Sony and Adobe. Main detractors were Palomar, Philips and AdaptHealth.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale[1]	-4.72%	-4.33%	19.13%	18.43%	
Benchmark[2]	-3.57%	-1.92%	19.33%	13.80%	
Retail[3]	-2.96%	-2.47%	18.90%		

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

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

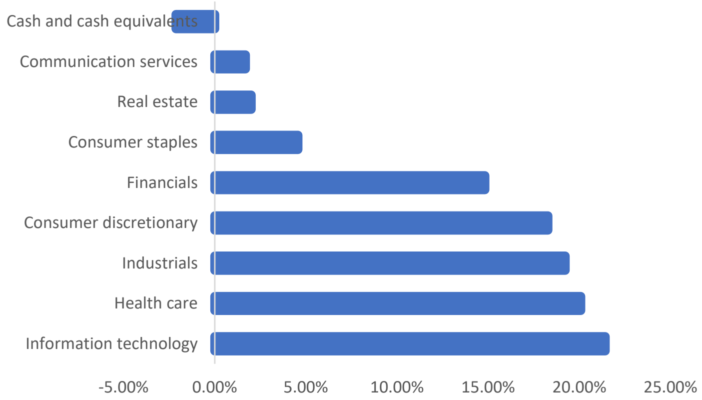
The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth with currency exposure created as a consequence of global equity investment hedged to NZD.

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.

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

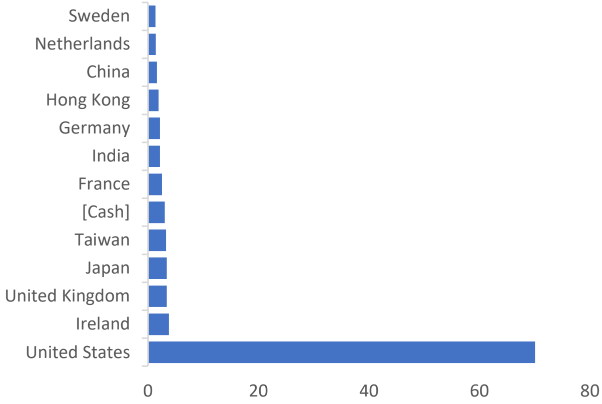
Asset Allocation



Top 10 Holdings (%)

	Fund	Country
Microsoft Corp	7.46%	US
Amazon Com Inc.	4.21%	US
Adobe Inc.	3.98%	US
Accenture Plc.	3.83%	Ireland
Carlisle Cos Inc.	3.73%	US
Sony Corp	3.56%	Japan
Taiwan Semicon Ltd	3.45%	Taiwan
Abbott Labs	3.25%	US
Compass Group	2.87%	UK
Tractor Supply Chain	2.81%	US

Geographical Allocation



EM exposure Fund 7.06%

Market Commentary

Global equity markets took a hit during November as investors became nervous following the announcement of another COVID-19 variant - Omicron. Information Technology was by far the strongest performing sector this month – helped by its relatively high exposure to mega-cap stocks and its status as a relative winner if COVID-19 once again starts to impact economic recovery. The sector also typically enjoys reasonably good pricing power, protecting profit margins and earnings against inflation. Performance was more mixed among other cyclical sectors. Consumer Discretionary outperformed though the arrival of the Omicron variant triggered a meaningful reversal of fortunes for both the Energy and Financials sectors. Both have been fairly consistent outperformers in recent months but underperformed in November as fresh doubt was cast over the rate of economic growth going into 2022. Industrials and Basic Materials also underperformed over the period. Regionally speaking, the US was the only region to outperform the index this month - helped by its relatively heavy exposure to big cap technology stocks. All other major regional indices underperformed, with the UK and Europe faring worse than Asian markets.

Fund Commentary

The fund returned -4.72% for the month, underperforming the benchmark. Positive contributors were HelloFresh, Sony and Adobe. HelloFresh enjoyed a strong month after boosting their guidance for revenue growth at the start of November. Sony outperformed after posting strong results right at the end of October, with better-than-expected sales and profits in their Pictures and Electronic Products as well as Solutions businesses. Adobe did well in sympathy with many technology stocks this month. There was little stock specific news that drove the outperformance although it is fair to say that Adobe's business model should prove more defensible than most, if inflationary pressures do prove stickier than expected.

Main detractors in the fund over the month were Palomar, Philips and AdaptHealth. Shares in Palomar were under pressure this month despite starting the month with good financial results, where strong new premium growth was well received by investors. There was no stock specific news behind the sell-off. Philips underperformed after the FDA issued a release setting out the agency's preliminary findings after inspecting the facility where Philips manufactured the sleep apnea devices currently being recalled by the company. New holding AdaptHealth underperformed for the month – not helped by the Philips newsflow noted above (as sleep apnea is 40% of Adapt's revenues). This is despite the fact that Adapt have confirmed the (relatively small amount of) revenue that they expect to lose as a result of the Philips recall and are actually more exposed to ResMed. There was also some concern that demand for Adapt's home medical equipment would be damaged by a potential spike in COVID-19 cases that may result from the discovery of the new Omicron variant.

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	$263.1m

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.

Contact Us

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