Factsheet 30 September 2022

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

- Global equity markets suffered another miserable quarter as investors lost just short of 7% in US dollar terms, confirming that we are indeed in the midst of a bear market. Unhedged New Zealand investors were however shielded by foreign currency gains versus the local currency, with the global equity benchmark rising 2.42% (NZD, unhedged) over the third quarter. The NZD fell more than 10% over the quarter to 0.56 against the US dollar.
- The worst performing sectors this quarter were some of the market leaders of the last cycle. Information Technology and Communication Services meaningfully underperformed, as investors weighed cooling revenue growth and higher discount rates. We believe this has further to go. Interest rate sensitive sectors, the Energy and Consumer Discretionary sectors, outperformed during the quarter, perhaps indicating a level of investor fatigue when it comes to selling consumer facing companies and hinting that investors might start positioning for the next bull market.

Fund Highlights

- The fund returned a positive 2.28%, 14 basis points behind the benchmark for the quarter. Positive contributors to fund performance over the month Palomar, Carlisle Companies and Deer & Company.
- Main detractors included Sony Corporation, AIA Group and TransUnion. SolarEdge Technologies, Inc. underperformed this month after a quarterly results announcement in which margins disappointed meaningfully.

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.

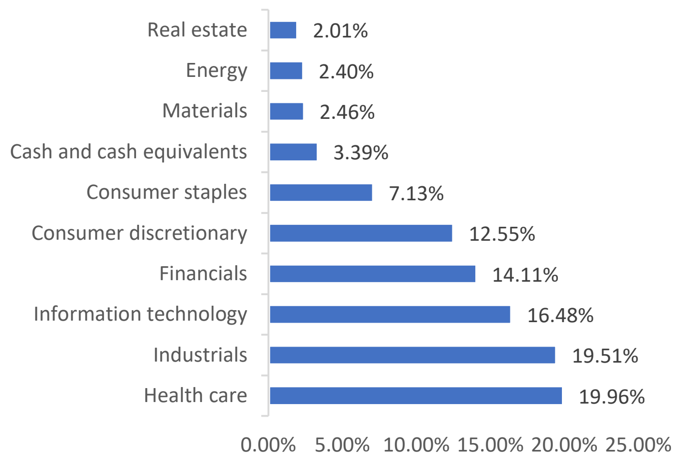
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale[1]	-1.48%	2.28%	-5.07%	10.49%	13.84%
Benchmark[2]	-1.99%	2.42%	-3.24%	7.37%	9.69%
Retail[3]	-2.17%	1.21%	-7.48%	9.64%	12.46%
KiwiSaver[3]	-2.17%	1.22%	-7.48%	9.74%	

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]

Asset Allocation

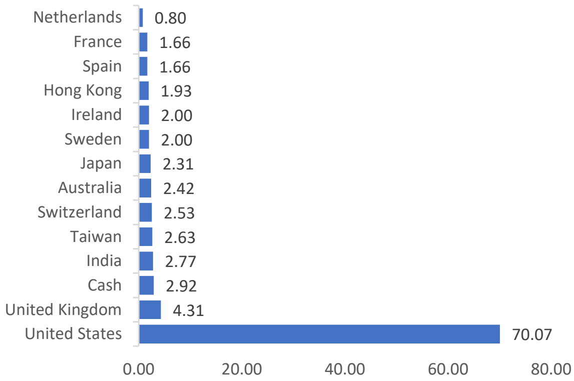


nikko am
Nikko Asset Management

Top 10 Holdings

	% of Fund	Country
Microsoft Corp	5.94	US
Compass Group	3.67	UK
Danaher Corp	3.35	US
Palomar Inc	3.21	US
Carlisle Cos Inc.	2.99	US
Intercontinental Exchange	2.96	US
HDFC Bank Ltd	2.75	India
Progressive Corp	2.64	US
Coca Cola Co	2.64	US
Taiwan Semicon Ltd	2.62	Taiwan

Geographical Allocation



EM exposure Fund 5.40%

Market Commentary

Global equity markets suffered another miserable quarter as investors lost just short of 7% in US Dollar terms, confirming that we are indeed in the midst of a bear market. The hopes of a pivot towards less hawkish monetary policy from the Federal Reserve continued to fade away, as inflation once again surprised to the upside in the US and interest rate expectations moved higher. The never-ending US inflation / Fed funds rate debate rages on, with risk assets starting the quarter with optimism but reaching a nadir towards the end of September, as it becomes increasingly obvious that the Fed will remain hawkish for the foreseeable future. To add insult to injury, global economic data has continued to drift slowly lower, stoking fears over a 2023 recession. Russian escalation of the conflict in Ukraine, after a series of embarrassing setbacks for the country's military, also served to unnerve investors. Also notable was the UK Government's ham-fisted attempt to kickstart economic growth in the country – which necessitated an emergency intervention by the Bank of England to stem surging debt servicing costs and a collapse in Sterling. The depreciation of the UK Pound threatened even worse imported inflation. The worst performing sectors this quarter were some of the market leaders of the last cycle. Information Technology and Communication Services meaningfully underperformed, as investors weighed cooling revenue growth and higher discount rates. We believe this has further to go. Interest rate sensitive sectors, the Energy and Consumer Discretionary sectors, outperformed during the quarter, perhaps indicating a level of investor fatigue when it comes to selling consumer facing companies and hinting that investors might start positioning for the next bull market.

Fund Commentary

The fund returned a positive 2.28%, 14 basis points behind the benchmark for the quarter. Positive contributors to fund performance over the month Palomar, Carlisle Companies and Deer & Company. Main detractors included Sony Corporation, AIA Group and TransUnion. SolarEdge Technologies, Inc. underperformed this month after a quarterly results announcement in which margins disappointed meaningfully. Palomar Holdings outperformed significantly in the recent quarter as the share price rose over 30%. Much of this was triggered by another very strong quarterly earnings report that has given investors far more conviction in management's ability to execute. Carlisle Companies shares rose following strong quarterly results. Earnings came in above expectations due to a strong operating performance. Importantly, demand remains robust in Construction Materials and management commented that orders are now booking out into 2023. Deere & Company shares recovered from their over-sold condition caused by the roll over in soft commodities. The shares performed well ahead of quarterly results in August, which confirmed full year 2022 guidance. Furthermore, the slight easing of supply chain issues is helping the company to fulfil demand. Sony Corporation struggled to perform as investor concerns grew around future growth prospects. The company is expected to see ongoing earnings pressure from a strong dollar and the market is wary of weaker prospects for consumer discretionary spending in the context of a looming recession. AIA Group has underperformed during the quarter as ongoing China lockdowns are significantly disrupting business in key markets, and a slower business recovery in ASEAN countries despite large, local re-openings. As the pace of recovery picks up later in the year, we should see an improvement in new business value. TransUnion continued to underperform in September partly due to the industry's unfavourable style skew in the current market environment.

Key Fund Facts

Distributions

Generally does not distribute.

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
KiwiSaver 1.15% refer to PDS for more details

Buy / Sell spread:	Strategy Launch	Strategy size
0.07%/0.07%	July 2017	$523m

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 quarter.

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