

Nikko AM Wholesale Plus Australian Share Fund

Manager Profile

This information has been prepared for use by Advisers only



Underlying Fund Manager Overview

Nikko AM Wholesale Plus Australia Share Fund ('Fund') invests in the Nikko AM Australian Share Wholesale Fund ('Underlying Fund'). Nikko AM Limited ('Nikko AM') is the investment manager of the Underlying Fund.

Nikko AM aims to offer investors the benefits of extensive global resources combined with the local expertise and long-standing experience of its Sydney-based investment teams, with a history dating back to 1989. Today, the company manages approximately \$12.9b in assets for retail and institutional clients across Australia.¹

With a track record of over twenty five years in Australian equities and more than twenty years' experience in managing fixed income assets, Nikko AM prides itself on its many years of accumulated market intelligence. Nikko AM believes in active management and high conviction investing backed by intensive research conducted by experienced, cohesive investment teams. Its investment teams strive to achieve strong investment performance for clients.

Investment Philosophy and Style

For Australian equities, Nikko AM believes that the best results in the future come from identifying value in the market today. This belief is based on:

- Stocks: all stocks have an intrinsic value that with diligent research may be assessed and compared.
- Value: whatever the direction of the share market, there are always stocks that represent better value than others, and better value than the market as a whole.
- Opportunities: inefficiencies in the share market, mainly due to human behaviour, create buying opportunities where the prices of some stocks fail to reflect their true value.
- Research: identifying those opportunities requires fundamental analysis, involving hard work, skill, experience and judgement.

Investment Process

Nikko AM believes the combination of an 'intrinsic value' philosophy and a dedication to objectively-based research, whilst incorporating what it considers to be sound risk management, provides a strong basis for good long-term returns.

Nikko AM uses its own internal research process called Comparative Value Analysis (CVA) to identify companies whose shares may represent good value. The process involves extensive fundamental analysis of Australian companies.

Whilst stock picking via company research is a critical element of Nikko AM's process, portfolio construction is also important. The team seeks to find attractive intrinsic value investments which offer the best outcome between risk and expected return, given the return objectives and stated risk profile of the Underlying Fund.

The Team applies a liquidity screen on all stocks listed in the S&P/ASX 200 Index. The stocks that meet the liquidity requirements are then screened for value and quality in order to help prioritise research. The team then researches, models and values a universe of approximately 150 companies.

The end product of the CVA research process is an Internal Rate of Return (IRR) for each stock over a three-year forecast period comprising estimated grossed-up dividends including franking credits and forecast terminal price in three years. These companies are then ranked in an ordinal ranking of IRR which drives the buy/sell process. The team will generally invest in value propositions where the IRR is very high.

Before selecting stocks, a quality and risk assessment is made by portfolio managers. This takes into account short-term earnings, balance sheet and structural risks, as well as optionality and cycle timing. The purpose is to make better buy/sell decisions and reduce the risk of value traps.

Investment Strategy

The Fund² aims to outperform the benchmark (before fees and taxes) by more than 2.5% p.a. over rolling five-year periods.

The Underlying Fund is managed using an active high conviction style with stock selection based on a ranking of expected return (i.e. IRR) determined by in-depth fundamental company research with a medium-term outlook. The Fund typically invests in 20-35 stocks.

About the Team

Nikko AM has an 11-member Australian equities team with an average of 21 years' industry experience and has been working together as a team for an average of 15 years. The Australian equities team is led by Brad Potter, Head of Australian Equities, who joined Nikko AM in 2002 and has over 31 years industry experience. The team is well resourced, reflecting Nikko AM's strong preference to conduct its own research. The research process recognises the importance of what Nikko AM considers thorough, in-depth analysis. Each analyst covers 15 to 20 stocks in total and specialises in a particular sector, except for financials and resources where there are two to three sector specialists.

Important Information

All investments carry risk. Factors that influence the direction and volatility of your investment are varied and include risks such as market risk and security specific risk. Please refer to the 'Risks of managed investment schemes' of the PDS for the Fund for further details.

Small differences in investment performance and fees and costs can have a substantial impact on your long term returns. Please refer to the 'Fees and costs' section of the PDS for the Fund for more information.

¹ As at 31 December 2020

² Refer to the Product Disclosure Statement ('PDS') for the Fund for more information.



The information in this document has been prepared by BT Funds Management Limited ABN 63 002 916 458 AFSL No.233724 ('BTFM').

This communication has been prepared for use by advisers only. It must not be made available to any retail client and any information in it must not be communicated to any retail client or attributed to the issuer. The information shown in this document is general information only. It does not constitute any recommendation or advice. It has been prepared without taking into account any retail client's personal objectives, financial situation or needs and so a retail client should consider its appropriateness having regard to these factors before acting on it. A retail client should consider obtaining independent advice from a professional financial adviser before making any financial decisions in relation to the matters disclosed hereto.

BTFM is the responsible entity for the Nikko AM Wholesale Plus Australian Share Fund ARSN 602 109 231 ('Fund'). A Product Disclosure Statement ('PDS') is available for the Fund and can be obtained by calling 1800 287 873 or by visiting www.bt.com.au/wholesaleplus. The Financial Services Guide ('FSG') for BTFM can also be obtained via the Product Disclosure Statement page on bt.com.au. You should obtain and consider the PDS for the Fund and the FSG before deciding whether to acquire, continue to hold or dispose of units in the Fund.

The Fund invests in the Nikko AM Australian Share Wholesale Fund ARSN 090 089 562 APIR TYN0028AU ('Underlying Fund'). Nikko Asset Management Australia Limited ABN 34 002 542 038 AFSL 229664 is the responsible entity of the Underlying Fund. Nikko AM Limited ABN 99 003 376 252 AFSL 237563 is the investment manager ('Manager') of the Underlying Fund. The Manager has consented to the statements pertaining to it in this document, in the form and context in which they appear and has not withdrawn its consent as at the date this document was published. The information in this document may contain material provided by third parties derived from sources believed to be accurate as at the date this document was published. While such material is published with necessary permission, no company in the Westpac Group accepts any responsibility for the accuracy or completeness of, or endorses any such material. Except where contrary to law, we intend by this notice to exclude liability for this material. Past performance is not an indicator of future performance.

BTFM is a subsidiary of Westpac Banking Corporation ABN 33 007 457 141 (Westpac). An investment in the Fund is not an investment in, deposit with or any other liability of Westpac, any Division of Westpac or any other company in the Westpac Group. It is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested. Westpac and its related entities do not stand behind or otherwise guarantee the capital value or investment performance of the Fund.

The information in this document and the details of the Manager may change from time to time.

Information current as of 31 December 2020

© BT Funds Management Limited – A part of Westpac Banking Corporation

BT80132d-0221cx