

NIKKO AM CORE EQUITY FUND

Monthly Fact Sheet

Why Nikko Asset Management NZ?

As a dedicated global investment manager Nikko AM NZ pairs local knowledge and experience with significant global resources. The Nikko group manages around US\$200 billion globally, including around NZ\$5 billion in New Zealand.

Fund overview

The Core Equity Fund seeks growth opportunities by investing in New Zealand and Australian equity markets. Our local equity portfolio management team hand pick stocks that they believe have potential for growth of income and capital.

Benchmark

S&P/NZX50 Index Gross (with Imputation Credits)

Performance objective

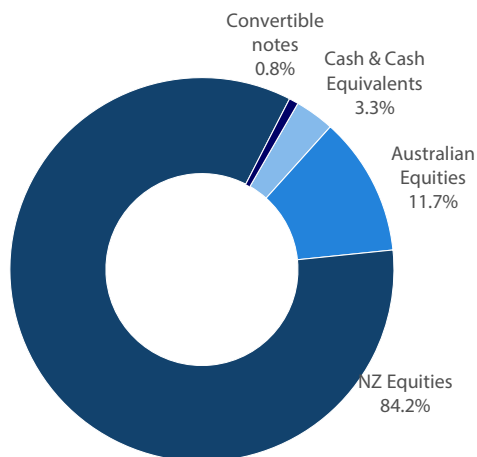
The aim is to outperform the fund's benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

Risk indicator

Based on standard deviation of returns before tax and after fees over a rolling 5 years to the last calendar quarter



Asset allocation



Portfolio manager

Stuart Williams, Head of Equities, CA

Stuart joined Nikko AM in 2014, he is responsible for the Domestic Equities team and covers the Industrials, Healthcare and Financials sectors. Stuart has over 20 years' experience across the industry with a track record in portfolio management of both benchmark relative and high conviction funds.



Performance returns

	Gross ¹	Benchmark	Net ²
1 month	2.70%	2.63%	2.69%
3 months	8.21%	6.07%	7.70%
1 year	30.98%	23.60%	28.86%
2 years (pa)	20.64%	16.66%	18.86%
3 years (pa)	19.31%	16.12%	17.66%
5 years (pa)	19.45%	17.07%	17.79%
10 years (pa)	10.75%	9.05%	

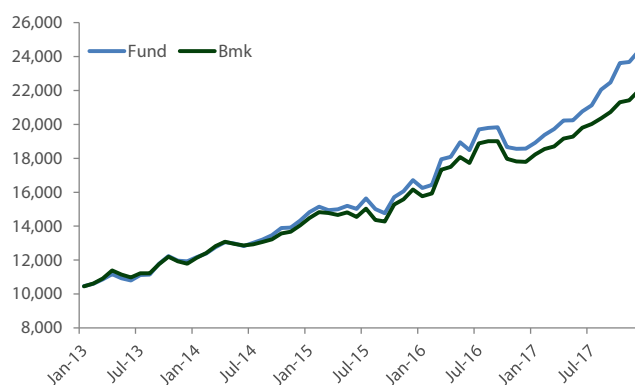
- Gross returns are before tax and before the deduction of fees.
- Net returns are before tax but after the deduction of fees and expenses and including tax credits.

Stock performance relative to index (quarter)

What helped	What hurt
A2 Milk	OW Ryman Healthcare
Xero	UW Fisher&Paykel Healthcare
Fletcher Building	UW Pacific Edge

OW: overweight; UW: underweight; NH: no holding – at month end position

Five year cumulative performance (gross) ¹



Sector allocation (%)

	Fund	Index
Health Care	19.46%	18.33%
Utilities	16.59%	15.30%
Consumer Discretionary	12.22%	7.42%
Telecommunication Services	10.80%	9.20%
Industrials	9.85%	14.70%
Consumer Staples	8.51%	9.93%
Energy	4.88%	3.98%
Real Estate	4.51%	8.91%
Materials	3.75%	5.38%
Financials	3.49%	3.60%
Cash	3.32%	0.00%
Information Technology	2.62%	3.25%

Top 10 holdings

Name	% of Fund
The A2 Milk Company	8.51%
Spark New Zealand	8.25%
Contact Energy	7.58%
Fisher & Paykel Healthcare	6.87%
Metlifecare	5.91%
Infratil Limited	5.89%
Auckland International Airport	5.65%
Restaurant Brands	4.78%
Summerset Group	4.49%
Aristocrat Leisure	4.10%
Number of holdings in fund	31

Key fund facts

Strategy launch date October 2007	Distributions March and September for retail fund. Calendar quarter for
Strategy FUM \$315.7m	Benchmark S&P/NZX50 Index Gross (with Imputation Credits)
Fund structure PIE Fund – wholesale and retail	Hedging Foreign currency exposures may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%. Currently the fund's foreign currency exposure is unhedged.
Fees in retail fund: Management fee 0.75% p.a. Expenses (maximum) 0.25% p.a. Expenses (current) 0.25% p.a.	
Buy/sell spread 0.35% / 0.35%	

Market commentary

Equity markets ended the year strongly with the S&P 500 index up 6.1% for the quarter, the FTSE 100 index up 4.3%, the Nikkei 225 index up 11.8% and the MSCI World index up 5.3%. Over the year these indices were up 19.4%, 7.6%, 19.1% and 19.8% respectively. The New Zealand equity market continued its strong run with the S&P/NZX 50 index (including imputation credits) up 6.1% for the quarter and 23.6% for the year. While the Australian market had a strong final quarter, up 7.6% as measured by the S&P/ASX 200 Accumulation index it still underperformed most international markets over the year, up 11.8%.

Fund commentary

The fund had a strong final quarter returning 8.2% (gross) which was 2.1% ahead of the S&P/NZX50 Index for the period. This capped off a strong year where the fund returned 31.0% exceeding the benchmark by 7.4%.

Over the quarter, an overweight position in **A2 Milk Company** (ATM) performed exceptionally well +25.5%. **Aristocrat Leisure** (ALL) +15.6% (in AUD), **Xero** (XRO) + 11.5% also performed well while the fund held them. Other stocks which helped relative performance included **Eroad** (ERD) and **PushPay Holdings** (PPH), while the fund's underweights in **Fletcher Building** (FBU) and **Air New Zealand** (AIR) added value.

Ryman Healthcare (RYM) - a nil holding, detracted from performance following a solid half year earnings announcement and additional site acquisitions. **Fisher & Paykel Healthcare** (FPH) performed strongly over the quarter gaining ~13% which detracted from the fund's performance given the fund's underweight position. FPH benefitted primarily from inclusion in the MSCI Global Index. **Contact Energy** (CEN) was removed from the same MSCI index and the overweight position detracted from performance as the stock eased back in price.

Fund activity was average over the quarter with the modest holding in **Sky Network TV** (SKT) sold for a reasonable profit having collected the dividend payment and **Propertylink Group** (PLG) benefited from a new investor acquiring a position in the company at \$1.02, a 9.7% (in AUD) premium to the end of September closing price. The fund's investment **PushPay Holdings** (PPH) was sold on the back of very strong price performance. Stocks where relative weights were reduced over the quarter included **A2 Milk** (ATM), **Fisher & Paykel Healthcare** (FPH) and **Xero** (XRO). The fund remains overweight in **A2 Milk** (ATM) at quarter end.

Stocks that increased in weight include **Aristocrat Leisure** (ALL), **Chorus** (CNU), **Spark** (SPK) and **Stride Property** (SPG). (bold denotes stocks held in the portfolio)

Compliance

The Fund complied with its investment mandate, SIPO and trust deed during the month.

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Important Information

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