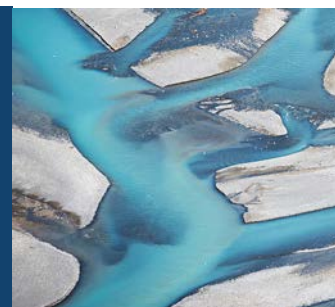


NIKKO AM CORE EQUITY FUND

Monthly Fact Sheet

30 November 2016



Investment objective

The objective of the Fund is to construct a portfolio of permitted investments that outperform the Fund's benchmark return by 3.0% per annum over a rolling three year period before fees, expenses and taxes.

Benchmark

S&P/NZX 50 Index Gross (with Imputation Credits)

Fund description

The Fund aims to provide investors with an exposure to New Zealand and Australian equity markets from an actively managed investment portfolio with potential for growth of income and capital.

The Fund gains its investment exposures by investing into the Nikko AM Wholesale Core Equity Fund which is managed by the Nikko AM NZ Equity team.

Distributions

Semi-annual. Last business days of March and September.

Currency management

Foreign currency exposures created as a consequence of capital markets investment may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%. Currency hedging contracts are held in the Nikko AM Wholesale Core Equity Fund.

Management fees and other charges

A management fee of up to 0.75% per annum calculated as a percentage of the net asset value of the Fund will be deducted from the Fund.

Nikko AM may also recover expenses (including the Trustee fee) from the Fund up to a maximum of 0.25% per annum of the Fund's net asset value. As at the time of publication these expenses are estimated to be 0.175% per annum.

Buy/sell spread

0.35% / 0.35%

Strategic asset allocation

Asset class	Range
Australasian equities, cash and cash equivalents and listed property via the Nikko AM Wholesale Core Equity Fund	95% – 100%
Cash on call for investor transactions	0% – 5%

Restrictions

Nikko AM Wholesale Core Equity Fund:

- Maximum of 20% Australian listed securities that are not listed on the New Zealand Stock Exchange.
- S&P/NZX 50 Index member maximum portfolio weight permissible is index weight plus 6%. No requirement on the Manager to hold any security at a minimum weight.
- Short sales of investments is not permitted

Refer to the SIPO for full details of permitted investments and restrictions.

Performance

(NZD returns; before tax, after fees and expenses)

1 month	3 months	6 months	1 year
-0.62%	-6.73%	-3.02%	13.46%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
13.23%	13.41%	16.01%	11.40%

* May 2010

Attribution to performance – month

What helped	What hurt
NZ Refining	OW Aconex
a2 Milk	OW Air New Zealand
Mainfreight	OW Infratil

OW: overweight; UW: underweight; NP: neutral position; NH: no holding



Finalist – New Zealand Equity Sector

Fund Manager of the Year Awards are announced by FundSource, the investment strategy and research company. These awards should not be read as a recommendation by FundSource. For further advice on the relevance of this award to your personal situation consult your authorised financial advisor.

Asset allocation (% of fund)

New Zealand equities	91.3%
Australian equities	6.6%
Cash	2.1%

Sector allocation (%)

	Fund	Index
Health Care	19.2	15.5
Utilities	18.8	15.9
Industrials	13.2	14.5
Consumer Discretionary	12.1	9.8
Telecommunication Services	10.0	10.6
Materials	8.8	9.3
Energy	7.0	4.2
Consumer Staples	5.0	4.6
Real Estate	2.5	9.8
Information Technology	1.3	2.4
Cash	2.1	0.0
Financials	0.0	3.4

Top 10 holdings

Fletcher Building Ltd	Fisher & Paykel Healthcare
Spark New Zealand	Infratil Limited
Contact Energy Ltd	Meridian Energy
AK International Airport	Restaurant Brands
Summerset Group Holdings	Metlife Care
Number of holdings in fund	31

Largest deviations from Index

Overweight	Underweight
Summerset Group	Ryman Healthcare
Contact Energy	Mercury NZ
Restaurant Brands	Sky Network TV

Commentary

All eyes were on the United States election early in the month which produced a surprise (relative to polls) victory for Donald Trump. Equity markets initially treated the result quite negatively before trading higher on the back of what was viewed as a more moderate / inclusive speech from President Elect Trump. The MSCI World Index ended the month up 2.1%. The bond markets did not fare so well, with the likes of the US 10-year rate rising 56 basis points over the month. The New Zealand equity market, with a yield focus was impacted by the bond sell off and ended the month down 0.84% as measured by the S&P/NZX 50. The Australian market performed more in line with global markets, up 3.0% based on the S&P/ASX 200 index.

The Fund marginally outperformed the index by but was nonetheless still down 0.62% (net of fees) in absolute terms. The position in **NZ Refining Company** (NZR) which rose 15.2% over the month added the most value as refining margins rose and the NZ dollar fell assisting the earnings outlook for the company.

The **a2 Milk Company** (ATM) announced that for the first four months of their financial year 2017 revenue had grown by 96% year-on-year and EBITDA had grown 473%, ahead of consensus expectations. ATM shares rose 7.1% on the day of the announcement and 32.5% for the month of November adding to relative fund performance. **Mainfreight** (MFT) also added value following their first half profit result and positive outlook comments relating to current trading.

Aconex (ACX) continued to hurt fund performance with the stock down 19.4% for the month despite not making any significant announcements. Sentiment is yet to find a base for tech companies following Trump's election. Our nil holding in Air NZ (AIR) detracted from performance as the stock rallied modestly against a negative index despite an underwhelming operational update.

Our substantial overweight **Infratil** (IFT) detracted from performance as the first half result disappointed the market. The performance portfolio companies, Trustpower and Perth Energy were the main detractors within the result.

During the month the Fund exited its investment in Mirvac Group, the Australia listed property trust to raise general liquidity in the Fund. The Fund also made other minor adjustments including adding to our investment in **Aristocrat Leisure** (ALL), **Restaurant Brands** (RBD) and **Pacific Edge** (PEB).

(**Bold** denotes stock held in portfolio)

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme and the Nikko AM NZ Wholesale Investment Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement or Fund Fact Sheet. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party.