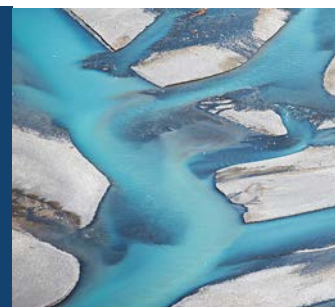


NIKKO AM CORE EQUITY FUND

Monthly Fact Sheet

31 December 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
-0.15%	-6.67%	-0.48%	8.85%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
11.59%	13.51%	15.96%	11.22%

* May 2010

Attribution to performance – month

What helped	What hurt
NZ Refining	OW Air New Zealand NH
Ryman Healthcare	UW Comvita Ltd OW
Mainfreight Ltd	OW Infratil Ltd OW

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	92.1%
Australian equities	7.4%
Cash	0.5%

Sector allocation (%)

	Fund	Index
Health Care	20.9	15.8
Utilities	19.0	15.6
Industrials	13.3	15.3
Consumer Discretionary	12.6	9.8
Materials	9.0	9.6
Telecommunication Services	8.9	10.2
Energy	7.6	4.3
Consumer Staples	4.4	4.2
Real Estate	2.5	9.6
Information Technology	1.3	2.3
Cash	0.5	0.0
Financials	0.0	3.3

Top 10 holdings

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

Commentary

The final quarter of 2016 continued the themes of surprise and volatility prevalent for much of the year. The bond market sell off had a significant impact on the high yielding New Zealand equity market which ended the quarter down 6.4% as measured by the S&P/NZX 50 index.

The Australian market significantly outperformed the New Zealand market with the S&P/ASX 200 index up 5.2% and the US and UK markets were also strong, up 3.4% and 3.5% respectively.

The Fund performed in-line with the index over the quarter and out-performed over the month.

The position in **NZ Refining Company** (NZR) which rose 6.1% over the quarter as refining margins improved and the NZ dollar fell assisting the earnings outlook for the company. The Fund's large underweight in **Ryman Healthcare** (RYM) contributed positively to performance with valuation support still a question. **Mainfreight** (MFT) performed very strongly, up 17.8% supported by the company's first investor day and a positive first half result and outlook.

The Funds nil position in Air NZ (AIR) detracted from performance with the share price up 18% notwithstanding the challenging operating environment.

Infratil (IFT) performed poorly over the quarter down 13.1% and detracting value. The performance of portfolio companies, Trustpower and Perth Energy were the main detractors within the half year result released during the quarter. The initial performance of Tilt Renewables (TLT) which was spun out of Trustpower has also disappointed the market.

Comvita (CVT) detracted from performance falling 29%. Sentiment has become negative for Comvita post Chinese regulatory changes and the potential impact for their products' market.

During the quarter the Fund exited its investment in Fonterra, Mirvac Group and Tegel Group. The proceeds were used to add to the investment in **Spark** (SPK), **Aristocrat Leisure** (ALL), **Restaurant Brands** (RBD) and **Pacific Edge** (PEB). The Fund also re-invested into **Fisher & Paykel Healthcare** (FPH) and introduced a small holding in **Tilt Renewables** (TLT).

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

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