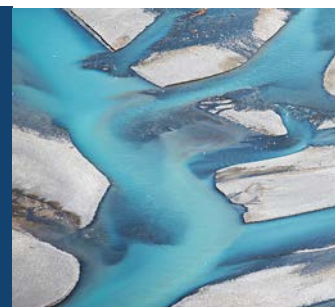


NIKKO AM CORE EQUITY FUND

Monthly Fact Sheet

31 May 2017



Investment objective

The objective of the Fund is to construct a portfolio of permitted investments that aims to 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%

Chapman Tripp – Fund Manager of the Year – Equities



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
0.07%	3.72%	7.91%	4.65%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
13.05%	13.53%	16.61%	11.74%

* May 2010

Attribution (month)

What helped	What hurt
NZ Refining	OW Metlifecare OW
Restaurant Brands	OW Summerset Group OW
Aristocrat Leisure	OW Air New Zealand NH

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	88.9%
Australian equities	8.0%
Cash	3.1%

Cash includes call cash, income due and settlements

Sector allocation (%)

	Fund	Index
Health Care	23.5	16.8
Utilities	16.4	16.1
Consumer Discretionary	11.7	9
Industrials	11.4	16.1
Telecommunication Services	6.8	10.6
Materials	6.6	6.4
Consumer Staples	6.4	5.4
Energy	6.0	4.2
Information Technology	4.3	3.2
Real Estate	3.8	9.1
Cash	3.1	0
Financials	0.0	3.1

Top 10 holdings

Fisher & Paykel Healthcare	Infratil Limited
Contact Energy	Metlifecare Ltd
Auck Intl. Airport	The A2 Milk Coy
Spark New Zealand	Summerset Group Holdings
Fletcher Building	Sky City Entertainment
Number of holdings in fund	32

Commentary

Global markets continued to move higher with the MSCI World index up 1.7% and US markets reaching all-time highs with the S&P 500 index up 1.2%. The Australian market as represented by the S&P/ASX 200 index fell 2.75% with the financial sector having a large impact and retail stocks being affected by Amazons impending entry. The broader NZ equity market was up 0.59% as measured by the S&P/NZX 50 index and 8.3% for the year-to-date.

The fund underperformed during May generating a gross return of 0.12% versus the benchmark of 0.59%.

Positive contributors to the performance for May included **NZ Refining** (NZR) +8.1% over the month, **Restaurant Brands** (RBD) +6.6% and **Aristocrat** (ALL) +7.5%. NZR released positive operating stats for the March / April. ALL released its first half results with overall sales +22% and earnings +49% after strong North American growth aided. Management reiterated full-year guidance was of 20-30% growth in net earnings with further investment in R&D.

Nil positions in ANZ Bank and Westpac bank contributed positively to relative performance as they fell 12.7% and 14.6% respectively. The shares fell in response to levies on the banks announced in the Australian Budget which saw the S&P/ASX 200 Financials sector down 9.2%.

The fund's overweight in **Metlifecare** (MET) detracted from performance as major shareholder, **Infratil** (IFT), sold down their stake of 19.9% to nil at an 8% discount to market. This saw the stock down 5.5% for the month on top of a similar move the month prior. The sentiment against residential property prices also appears to have weighed against **Summerset** (SUM) with the stock falling ~6% and detracting from performance.

Air NZ detracted from performance as the stock rallied 12.5% and the fund continued to hold no stock. Air NZ has been buoyed by strong domestic performance and competitors removing capacity from the NZ market. **Comvita** (CVT) detracted from performance despite our modest investment as the stock fell ~19% on the news of the Myrtle Rust scare.

Only minor changes were made during the month with a small residual holding in **Airwork** (AWK) sold out. Cash holdings were reduced as the fund moved to invest further in **Xero** (XRO) - now overweight versus the benchmark weight.

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

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