NIKKO AM CORE EQUITY FUND

Monthly Fact Sheet

Why Nikko Asset Management NZ?

As New Zealand's only dedicated global investment manager, Nikko AM NZ pairs local knowledge and experience with significant global resources. We manage over US$200 billion globally and around NZ$5billion 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

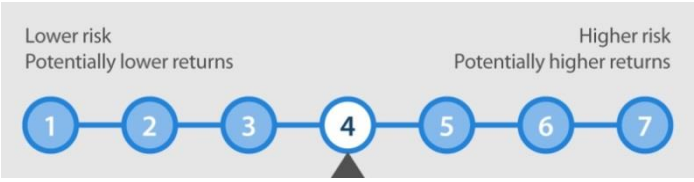
S&P/NZX50 Index Gross (with Imputation Credits)

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



Portfolio manager

Stuart Williams, Head of Equities, CA

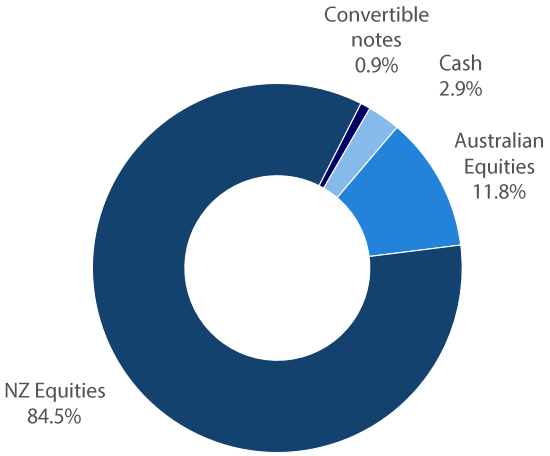
Stuart joined Nikko AM in 2014, he is responsible for the Domestic Equities team and covers the Industrials, Healthcare and Financials sectors. Stuart has over 20 years' experience across the industry with a track record in portfolio management of both benchmark relative and high conviction funds.

Performance returns

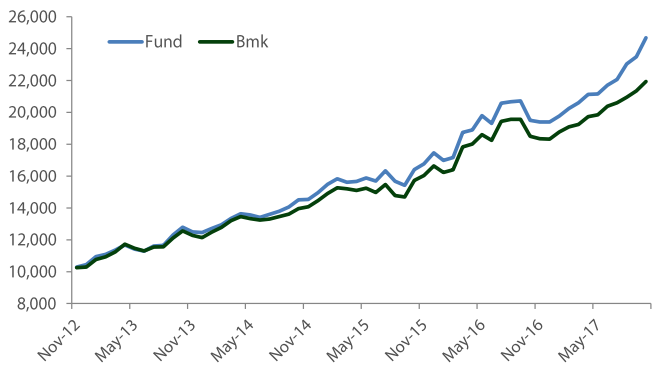
	Gross[1]	Benchmark	Net[2]
1 month	5.08%	2.77%	4.86%
3 months	11.84%	6.43%	11.31%
1 year	26.53%	18.55%	24.62%
2 years (pa)	22.61%	18.09%	20.94%
3 years (pa)	19.37%	16.25%	17.76%
5 years (pa)	19.80%	17.01%	18.15%
10 years (pa)	9.97%	8.28%	

1. Gross returns are before tax and before the deduction of fees.
2. Net returns are before tax but after the deduction of fees and expenses.

Asset allocation



Five year cumulative performance (gross) [1]



Stock performance relative to index

What helped		What hurt	
A2 Milk Company	OW	Pacific Edge	OW
Aristocrat Leisure	OW	Synlait Milk	NH
Japara Healthcare	OW	Summerset	OW

OW: overweight; UW: underweight; NH: no holding;

Top 10 holdings

Name	% of Fund
The A2 Milk Company Limited	10.15%
Spark New Zealand Limited	7.87%
Fisher & Paykel Healthcare Corporation L	7.60%
Contact Energy Limited	7.19%
Auckland International Airport Ltd	6.51%
Infratil Limited	6.01%
Metlife Care Ltd	5.67%
Summerset Group Holdings Ltd	4.34%
Restaurant Brands New Zealand Ltd	4.06%
Aristocrat Leisure Ltd	3.89%
Number of holdings in fund	**31**

Key fund facts

Strategy launch date
October 2007

Fund structure
PIE Fund – wholesale and retail

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%

Distributions
March and September for retail fund. Calendar quarter for wholesale fund.

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

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.

Compliance

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

Market commentary

The month of October saw the reaction to the final results of the NZ election and formation of the new government. Equity markets largely ignored the outcome of a Labour led government and tracked higher along with other foreign share markets over the month, but the NZ dollar sharply sold off. Topical global issues, North Korea and the US/Russian scandal, did little to derail positive sentiment. In the strong market backdrop the MSCI All Country World index was up 2.54%, S&P500 +2.22%, the Australian S&P/ASX 200 rose 4.01% and the New Zealand equity market was up a solid 2.77% as measured by the S&P/NZX 50 index (all in local dollar terms).

Fund commentary

The Fund performed very strongly for the month of October generating a gross return of 5.08% versus the benchmark of 2.77%.

The A2 Milk Company (ATM) rallied strongly over the month following the accreditation of their infant formula manufacturer, Synlait Milk, by the China FDA in late September. A2 Milk rallied 35% on this news and numerous broker upgrades.

Aristocrat Leisure (ALL) rallied strongly over the month following the gaming industry 'G2E' conference and increased investor confidence.

The underweight position in **Fletcher Building** (FBU) and minor holding in **Sky Network TV** (SKT) benefitted relative performance as the stock prices fell ~7% each over the month.

Summerset Group (SUM) and **Metlifecare** (MET) both detracted from fund performance based on negative sentiment relating to housing and the new Government's potential policies.

The small position in **Pacific Edge** (PEB) detracted from performance as the company announced a deeply discounted 1 for 6 rights issue to ensure adequate future funding.

Activity was muted over the month with the modest holding in **Sky Network TV** (SKT) being sold for a reasonable profit having collected the dividend payment. The investment in **Fletcher Building** (FBU) was further reduced (increased the underweight) with yet another profit warning. **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. At this price we saw limited near term upside and sold the entire holding. The proceeds of these sales were utilised in introducing **Chorus** (CNU) and adding to our modest investment in **Z Energy** (ZEL).

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

Contact us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

Important Information
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. 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. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.