

NIKKO AM WHOLESALE SRI 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\$5 billion in New Zealand.

Fund overview

The SRI 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. In addition, the fund has a negative screen to exclude liquor, tobacco, armaments and gambling stocks.

Benchmark

S&P/NZX50 Index Gross

Performance objective

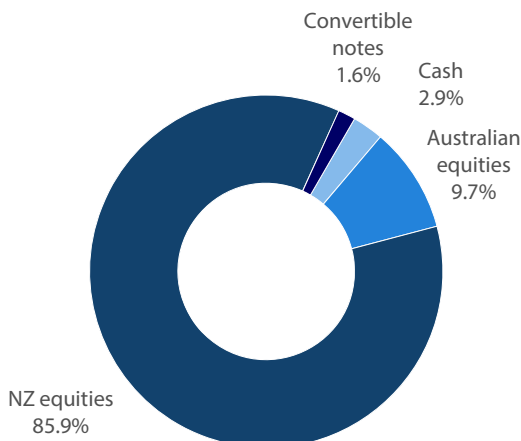
The aim is to outperform the fund's benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

Risk indicator



Based on the standard deviation of gross returns 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.

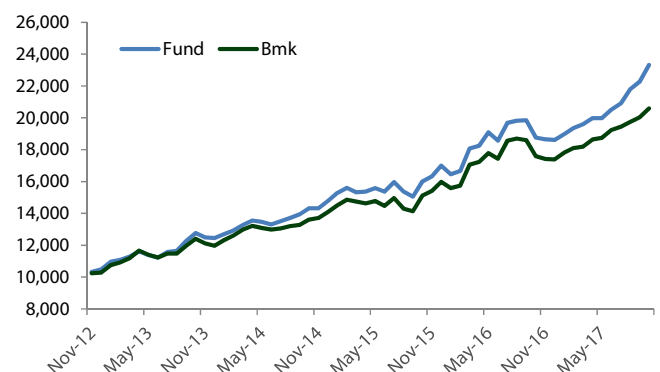


Performance returns

	Gross ¹	Benchmark
1 month	4.74%	2.72%
3 months	11.55%	5.88%
1 year	24.40%	17.03%
2 years (pa)	20.73%	16.65%
3 years (pa)	17.65%	14.78%
5 years (pa)	18.46%	15.53%
10 years (pa)	8.44%	6.83%

1. Gross Returns are before tax and before the deduction of fees.

Five year cumulative performance (gross)¹



Stock performance relative to index

What helped		What hurt	
A2 Milk Company	OW	Pacific Edge	OW
Japara Healthcare	OW	Synlait Milk	NH
Fletcher Building	UW	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	7.60%
Contact Energy Limited	7.19%
Infratil Limited	6.64%
Auckland International Airport Ltd	6.48%
Metlife Care Ltd	6.28%
Summerset Group Holdings Ltd	4.78%
Restaurant Brands New Zealand Ltd	4.61%
Xero Limited	3.48%
Number of holdings in fund	30

Key fund facts

Strategy launch date January 2008	Benchmark S&P/NZX50 Index Gross
Fund structure PIE Fund	Hedging Foreign currency exposures may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%.
Buy/sell spread 0.35% / 0.35%	Currently the fund's foreign currency exposure is unhedged.
Distributions Calendar quarter	

Compliance

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

Contact us

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

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.

Fund commentary

The Fund performed very strongly for the month of October generating a gross return of 4.74 % versus the benchmark of 2.72%.

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.

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.

Fund 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)

Important Information

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