

NIKKO AM CORE EQUITY FUND

Monthly Fact Sheet

Why Nikko Asset Management NZ?

As a dedicated global investment manager Nikko AM NZ pairs local knowledge and experience with significant global resources. The Nikko group manages around US\$200 billion globally, including around NZ\$5 billion 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

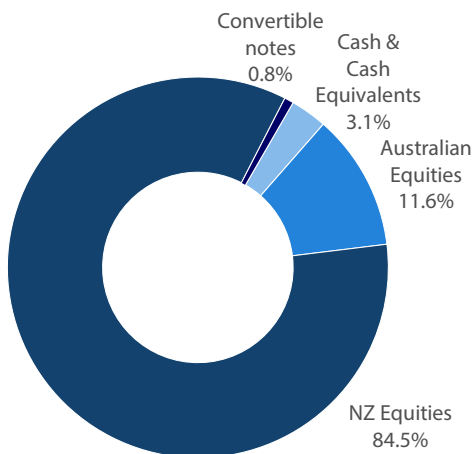
The aim is to outperform the fund's benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

Risk Indicator

Based on standard deviation of returns before tax and after fees over a rolling 5 years to the last calendar quarter



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 | Net ² |
|---------------|--------------------|-----------|------------------|
| 1 month | 1.11% | 0.53% | 1.08% |
| 3 months | 4.12% | 3.75% | 3.82% |
| 1 year | 30.00% | 21.26% | 27.94% |
| 2 years (pa) | 23.01% | 18.41% | 21.22% |
| 3 years (pa) | 18.39% | 15.13% | 16.80% |
| 5 years (pa) | 18.62% | 16.15% | 16.98% |
| 10 years (pa) | 11.98% | 10.16% | |

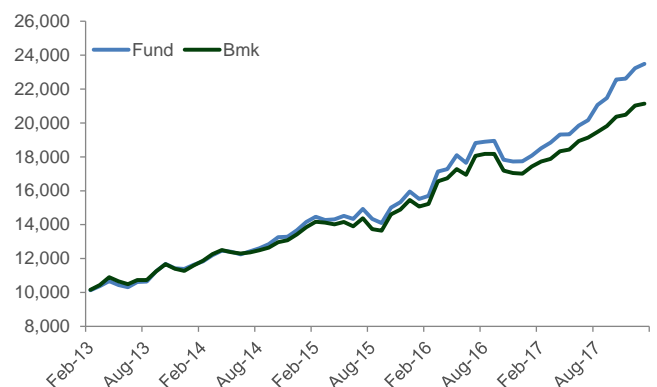
- Gross returns are before tax and before the deduction of fees.
- Net returns are before tax but after the deduction of fees and expenses and including tax credits.

Attribution to Performance (month)

| What helped | What hurt |
|------------------------|---------------------|
| A2 Milk | OW NZ Refining Co |
| Trade Me Group | NH Ryman Healthcare |
| Fisher & Paykel Health | UW Infratil |

OW: overweight; UW: underweight; NH: no holding – at month end position

Five Year Cumulative Performance (gross) ¹



Sector Allocation

| | Fund | Benchmark |
|----------------------------|--------|-----------|
| Health Care | 18.92% | 18.86% |
| Utilities | 15.85% | 15.41% |
| Consumer Discretionary | 12.02% | 7.67% |
| Telecommunication Services | 11.52% | 9.20% |
| Industrials | 9.92% | 15.26% |
| Consumer Staples | 9.58% | 10.65% |
| Energy | 4.64% | 3.87% |
| Real Estate | 4.41% | 8.86% |
| Materials | 3.81% | 6.01% |
| Financials | 3.43% | 3.57% |
| Cash | 3.11% | 0.00% |
| Information Technology | 2.78% | 0.65% |

Top 10 Holdings

| Name | % of Fund |
|--|-----------|
| The A2 Milk Company Limited | 9.58% |
| Spark New Zealand Limited | 9.05% |
| Contact Energy Limited | 7.15% |
| Fisher & Paykel Healthcare Corporation | 6.32% |
| Metlife Care Ltd | 5.94% |
| Auckland International Airport Ltd | 5.77% |
| Infratil Limited | 5.65% |
| Restaurant Brands New Zealand Ltd | 4.63% |
| Summerset Group Holdings Ltd | 4.50% |
| Aristocrat Leisure Ltd | 4.09% |
| Number of holdings in fund | 31 |

Key Fund Facts

| | |
|--|---|
| Strategy launch date October 2007 | Distributions March and September for retail fund. Calendar quarter for wholesale fund |
| Strategy FUM \$319.1m | Benchmark S&P/NZX50 Index Gross (with Imputation Credits) |
| Fund structure PIE Fund – wholesale and retail | 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. |
| 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% | |

Market Commentary

NZ equity markets started the year up mildly in January with the S&P/NZX 50 index up 0.53% but this was only after a very strong final day of the month, +1.73%, with passive index funds re-weighting. January's performance was on the back of a very strong 2017 where the NZX50 rose 23.60% and the fund returned 30.98%. The Australian market lost ground, down 0.45% in January, as measured by the S&P/ASX 200 Accumulation index. This made both the NZ and Australian markets big underperformers against most international markets with the US S&P500 +5.6%, Japanese Nikkei +1.5%, Chinese Shanghai +6.1% and MSCI World +4.1% all in local currency.

In economic news, recent business confidence data has continued to soften since the September election. This may have an impact on earnings growth due to the strong relationship with business confidence and GDP growth. Other survey data suggests businesses are expecting prices and thereby inflation to rise in the future.

Fund Commentary

The fund had a good first month of the calendar year returning 1.1% gross return, which was 0.53% ahead of the S&P/NZX50 Index. Leading the value added was **A2 Milk Company** (ATM) that rose +14% over the month.

The nil position in TradeMe (TME) and underweight position in **Fisher & Paykel Healthcare** (FPH) added value as they performed worse than the market. The outperformance was also aided by strong performances from **Xero** (XRO) which returned + 7.9% in spite of being delisted from the NZ exchange on 30 January.

Our overweight position in **NZ Refining Co** (NZR) detracted value as the stock fell on a back of a slightly muted product report covering the two months to 31 December.

The fund's nil position in Ryman Healthcare (RYM) detracted from performance as the stock rallied strongly during the month on renewed offshore interest closing up 3.4%. **Infratil** (IFT) detracted from performance falling 2.1% following a surprising announcement by the Tauranga Consumer Energy Trust (TECT), a co-shareholder in Trustpower. TECT proposes to resettle the assets of the trust and to cease paying dividends to Trustpower shareholders in the Tauranga / Western Bay of Plenty region.

Portfolio activity was muted over the month with modest increases in the fund's holdings of A2 Milk and Spark the only notable movements.

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

Compliance

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

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Important Information

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