

NIKKO AM WHOLESALE SRI 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 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.

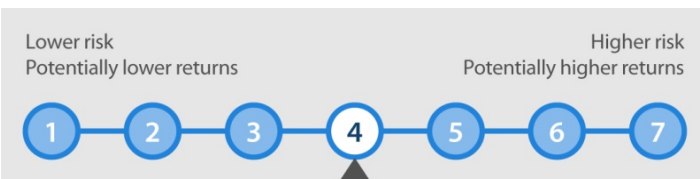
Benchmark

S&P/NZX50 Index Gross

Performance Objective

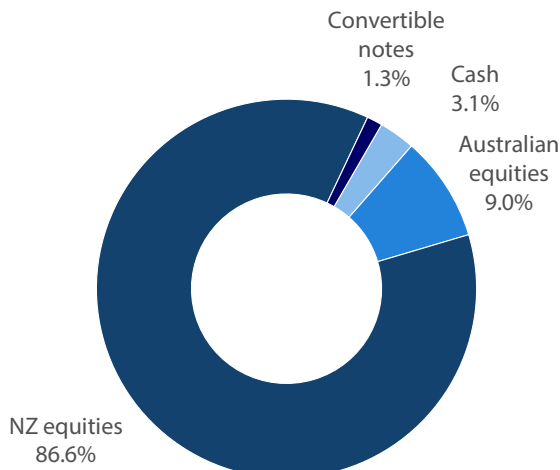
The aim is to outperform the fund's benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

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.

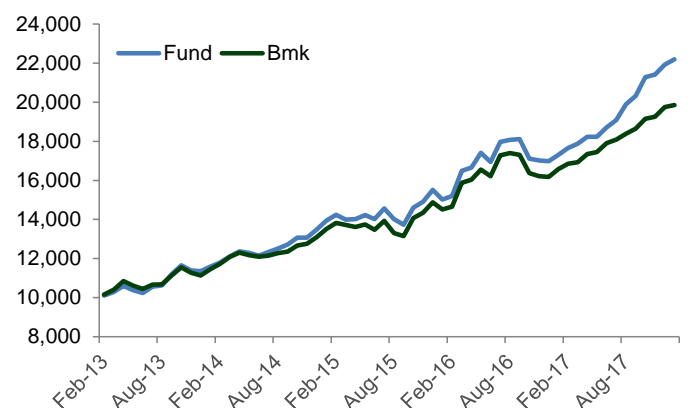


Performance Returns

	Gross ¹	Benchmark
1 month	1.22%	0.52%
3 months	4.25%	3.63%
1 year	28.18%	19.73%
2 years (pa)	21.55%	16.97%
3 years (pa)	16.77%	13.70%
5 years (pa)	17.28%	14.70%
10 years (pa)	10.41%	8.69%

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

Five Year Cumulative Performance (gross)¹



Attribution to Performance (month)

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

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

Top 10 Holdings

Name	% of Fund
The A2 Milk Company	10.31%
Spark New Zealand	9.47%
Contact Energy	7.57%
Metlifecare	6.88%
Fisher & Paykel Healthcare	6.18%
Auckland International Airport	6.12%
Infratil	5.67%
Restaurant Brands	5.27%
Summerset Group	4.90%
Fletcher Building	3.83%
Number of holdings in fund	29

Key Fund Facts

Strategy launch date January 2008	Benchmark S&P/NZX50 Index Gross
Strategy FUM \$22.5m	Hedging Foreign currency exposures may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%.
Fund structure PIE Fund	Currently the fund's foreign currency exposure is unhedged.
Buy/sell spread 0.35% / 0.35%	
Distributions Calendar quarter	

Compliance

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

Contact Us

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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 (excl imps) rose 22.04% and the fund returned 29.10%. 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 Nikki +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. This was in spite of the data for the December quarter showing unexpectedly weak inflation. Currencies continued to be volatile over the period but saw the New Zealand dollar (NZD) rise 0.6% against the Australian dollar (AUD) and be up 3.8% against the US dollar (USD) for the month. The rise in the NZD against the AUD cost portfolio returns as fund exposures to AUD were unhedged over the period.

Fund Commentary

The fund had a good first month of the calendar year returning 1.2% gross return, which was 0.52% ahead of the S&P/NZX50 Index. Leading the value added was **A2 Milk Company** (ATM) that rose +14% over the month.

The fund's 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)

Important Information

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