

# 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

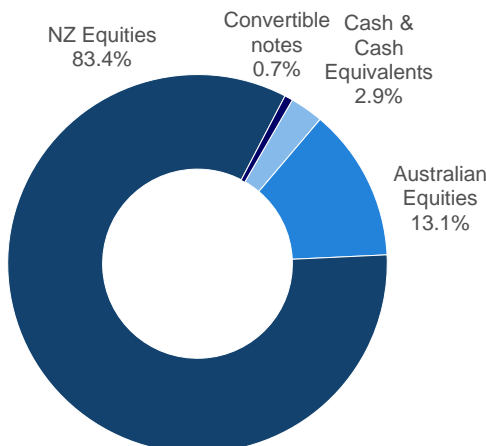
The aim is to outperform the fund's benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

### 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 <sup>1</sup>	Benchmark	Net <sup>2</sup>
1 month	1.07%	-0.81%	0.89%
3 months	4.95%	2.34%	4.72%
1 year	28.24%	18.25%	26.07%
2 years (pa)	22.99%	17.34%	21.21%
3 years (pa)	17.95%	13.93%	16.33%
5 years (pa)	18.57%	15.60%	16.93%
10 years (pa)	12.41%	10.32%	

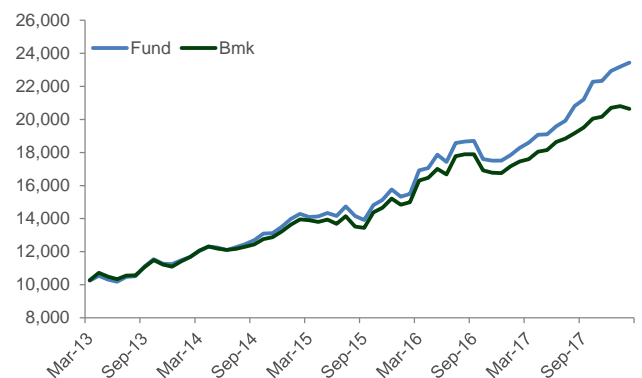
- Gross returns are before tax and before the deduction of fees.
- Net returns are before tax but after the deduction of fees and expenses and including tax credits.

### Attribution to Performance (month)

What helped	What hurt
A2 Milk	OW Air New Zealand NH
Fletcher Building	UW Spark OW
Summerset Group	OW Infratil OW

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

### Five Year Cumulative Performance (gross) <sup>1</sup>



## Sector Allocation

	Fund	Benchmark
Health Care	18.65%	19.19%
Utilities	14.23%	14.74%
Consumer Staples	12.57%	13.96%
Consumer Discretionary	11.45%	7.26%
Telecommunication Services	11.03%	8.61%
Industrials	8.98%	14.97%
Energy	6.90%	3.59%
Real Estate	4.03%	8.62%
Financials	3.84%	3.41%
Materials	2.98%	5.05%
Cash	2.85%	0.00%
Information Technology	2.49%	0.60%

## Top 10 Holdings

Name	Fund
The A2 Milk Company	12.57%
Spark New Zealand	9.00%
Contact Energy	6.37%
Fisher & Paykel Healthcare	6.30%
Auckland International Airport	5.30%
Metlifecare	5.28%
Summerset Group Holdings	5.07%
Infratil	4.97%
Restaurant Brands New Zealand	4.16%
Aristocrat Leisure	3.74%
<b>Number of holdings in fund</b>	<b>33</b>

## Key Fund Facts

### Strategy launch date

October 2007

### Strategy FUM

\$354.1m

### 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.

## Market Commentary

Global equity markets fell sharply early in the month on the back of stronger US economic data which lead to fears of interest rates rising faster than expected. By the end of the month, markets had recovered some of their losses with the US S&P 500 index down 3.9% and the MSCI World down 2.6%. In addition to the move higher in bond yields, talk of Trump moving to put tariffs on other products rattled markets. The NZ market as measured by the S&P/NZX50 index was down 0.8% whereas the Australian S&P/ASX 200 index was up 0.4%.

## Fund Commentary

The fund had a strong month with a gross return of 1.07% which was 1.88% ahead of the S&P/NZX50 Index.

Leading the value added was **A2 Milk Company** (ATM); this was aided by exceptionally strong earnings growth which saw the stock rise by 43.8% in February. This was attributed to superb growth in sales to China and undertaking an extensive deal with Fonterra. ATM remains a core portfolio overweight position.

The fund's underweight position in **Fletcher Building** (FBU) added to relative performance as the stock first went into trading-halt having breached a number of their banking covenants and then released their half year results. The magnitude of losses from the Building and Infrastructure division has grown further and the underlying aggregate business performance was also weak.

**Summerset Group** (SUM) performed well following good earnings results and rallied 11.3%. Nil holdings in Mercury NZ, Sky Network TV and Heartland bank also added value.

The fund's nil position in Air NZ (AIR) detracted from performance as the stock rallied modestly following their solid half year earnings announcement. **Spark NZ** (SPK), **Infratil** (IFT), **Restaurant Brands** (RBD), **Metlifecare** (MET) and **Contact Energy** (CEN), which are overweight positions detracted modestly from performance. MET and CEN were slightly weaker than expectations but remain compelling medium term opportunities.

Portfolio activity was muted. The fund's holding in Fletcher Building was reduced but as the stock weakened further it provided the opportunity to reduce the underweight to circa -2.0%. Weakness in the **Z Energy** (ZEL) price put the stock on more compelling valuation metrics so the fund moved from underweight to overweight during the month.

(**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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