

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 (with Imputation Credits)

Performance Objective

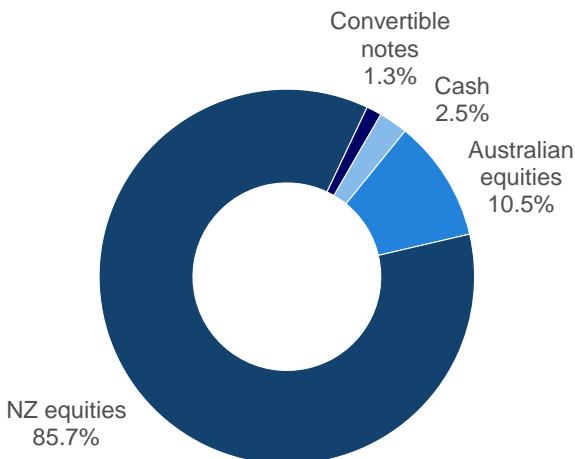
The aim is to outperform the fund's benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

Risk Indicator



Based on 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.

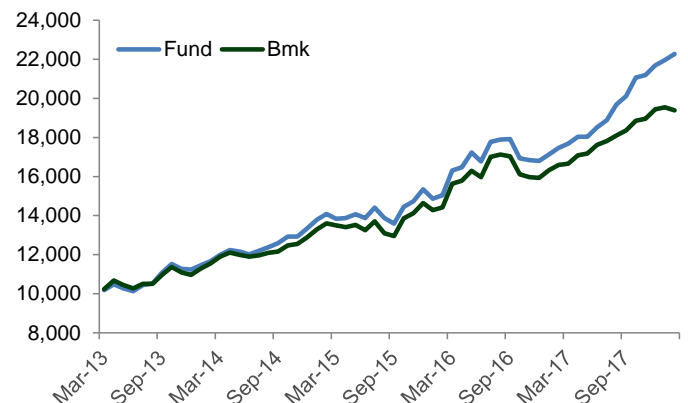


Performance Returns

	Gross ¹	Benchmark
1 month	1.43%	-0.81%
3 months	5.10%	2.28%
1 year	27.51%	16.83%
2 years (pa)	21.66%	15.93%
3 years (pa)	16.50%	12.52%
5 years (pa)	17.37%	14.15%
10 years (pa)	10.82%	8.86%

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	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

Top 10 Holdings

Name	Fund
The A2 Milk Company	13.14%
Spark New Zealand	9.27%
Contact Energy	7.08%
Fisher & Paykel Healthcare	6.32%
Metlifecare	6.10%
Auckland International Airport	5.83%
Infratil	5.34%
Summerset Group	5.29%
Restaurant Brands New Zealand	4.99%
New Zealand Refining company	3.57%
Number of holdings in fund	29

Key Fund Facts

Strategy launch date January 2008	Benchmark S&P/NZX50 Index Gross
Strategy FUM \$22.7m	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

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 loses 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/NZ50 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 1.43% which was 2.24% 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)

Contact Us

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

Important Information

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