

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

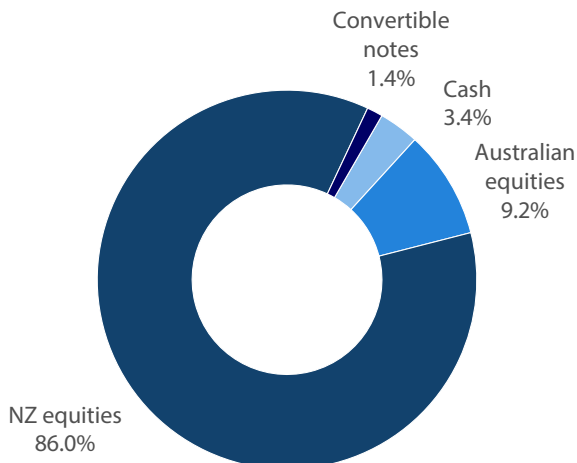
The aim is to outperform the fund's benchmark return by 3% per annum before fees, expenses and taxes over a rolling three year period.

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.

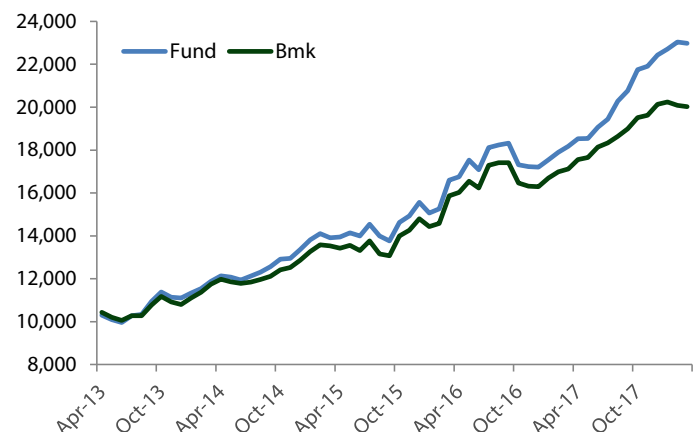


Performance Returns

	Gross ¹	Benchmark
1 month	-0.25%	-0.30%
3 months	2.43%	-0.58%
1 year	26.45%	16.93%
2 years (pa)	17.69%	12.34%
3 years (pa)	18.22%	13.96%
5 years (pa)	18.10%	14.89%
10 years (pa)	11.79%	10.03%

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

Five Year Cumulative Performance (gross)¹



Attribution to Performance (quarter)

What helped	What hurt	
A2 Milk	OW	Infratil
Summerset Group	OW	Westpac
Fletcher Building	UW	NZ Refining

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

Top 10 Holdings

Name	Fund
The A2 Milk Company	10.96%
Spark New Zealand	8.66%
Contact Energy	6.85%
Fisher & Paykel Healthcare	6.36%
Metlifecare	6.20%
Auckland International Airport	5.82%
Summerset Group	5.74%
Infratil	5.34%
Restaurant Brands New Zealand	5.01%
Fletcher Building	4.71%
Number of holdings in fund	28

Key Fund Facts

Strategy launch date January 2008	Benchmark S&P/NZX50 Index Gross
Strategy FUM \$21.6m	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

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

Market Commentary

Global equity markets were volatile over the quarter, starting strongly on the back of US tax reforms before being impacted by rising interest rates and US import tariffs. The markets slid as investors worried about the impact of potential escalation of trade wars between the US and China. The US S&P 500 index ended the quarter down 1.2%, the UK FTSE 100 down 8.2% and the MSCI World was down 1.9% in local currency. The move higher in bond yields was a head wind for the local equity market which was down 0.6% as measured by the S&P/NZX 50 index. The Australian S&P/ASX 200 index was down 3.9%.

Fund Commentary

The fund had good quarter returning 2.10% delivering reasonable value for clients while the S&P/NZX50 Index fell -0.94%. The largest contribution to relative performance came from **Summerset Group Holdings (SUM)**. SUM performed well returning ~28% in the quarter following another good earnings result.

The fund's strong return over the quarter was boosted by the 55.4% jump of **A2 Milk (ATM)**. ATM's result was very good as expected but the price move was particularly aided by the announcement of a new strategic relationship with Fonterra.

The fund's underweight position in **Fletcher Building (FBU)** and nil position in Sky Network TV (SKY) both added significant relative value over the quarter. Our underweight position in **Fisher & Paykel Healthcare (FPH)** also benefited the fund as the stock fell in price.

Infratil (IFT) drifted lower over the quarter (down 6.6%) on little new information and detracted modest value because of our overweight position. Investors are looking forward to the company's annual update early in April to see what is next for their portfolio of investments.

The fund's nil investments in Synlait Milk and Air New Zealand detracted modest value. Synlait in particular performed well rising 16.5% as interest in milk processing and **ATM** peaked investor interest.

Fund activity was reasonably over the quarter. Xero (XRO) was sold completely from the portfolio following a strong period of outperformance in excess of valuation support. Stocks which we generally reduced in weight included Chorus (CNU), **Meridian Energy (MEL)** and **Contact Energy (CEN)**.

The proceeds of these reductions or sales were invested in **Spark New Zealand (SPK)**, **SUM** and **Westpac Bank (WBC)**. **Z Energy (ZEL)** was materially upweighted to an overweight position following the fall in price. **Fletcher Building (FBU)** which was a reasonable underweight position was bought back to the neutral index weight at the end of the quarter following a material price fall.

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

Important Information

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