

NIKKO AM CORE EQUITY STRATEGY

Applies to: Nikko AM Wholesale Core Equity Fund, Nikko AM Core Equity Fund (Retail) and Nikko AM KiwiSaver Scheme Core Equity Fund

Market Overview

- Equity markets started the year strongly.
- The United States S&P 500 index rose 7.9%, the Japanese Nikkei 225 index was up 3.8%, and the FTSE 100 index added 3.6% and the MSCI World index ended up 6.5%.
- S&P/NZX 50 index was up 2.0% but underperformed global peers.

Fund Highlights

- The fund had a strong start to the year, up 3.2% and 1.2% ahead of the index.
- With the holiday period and of the February reporting round yet to be published there was limited news flow, although Air New Zealand did downgrade their earnings guidance.
- Aristocrat Leisure and A2 Milk both enjoyed strong months. The retirement sector continued to underperform resulting in the nil holding in Ryman Healthcare adding value while the overweight positions in Metlifecare and Summerset detracted from relative performance.

Performance

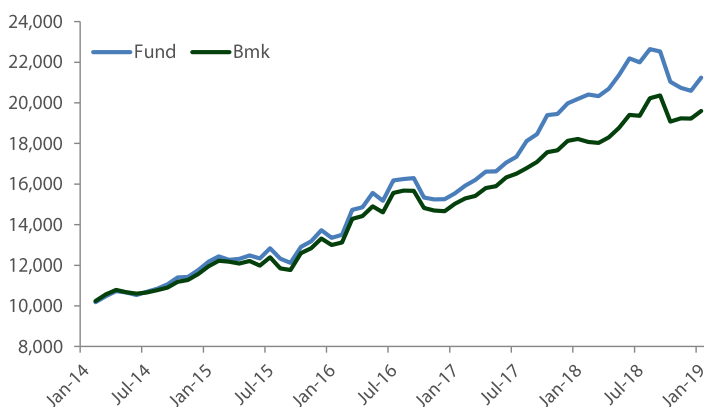
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	3.15%	0.92%	5.14%	16.74%	16.26%	15.22%
Benchmark ²	1.98%	2.79%	7.57%	14.68%	14.41%	13.91%
Retail ³	3.05%	0.70%	4.03%	15.19%	14.76%	
KiwiSaver ³	3.15%	0.94%				

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

2. Benchmark: S&P / NZX 50 Index Gross (with Imputation Credits). No tax or fees.

3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any)

Five Year Cumulative Performance^{1,2}



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.

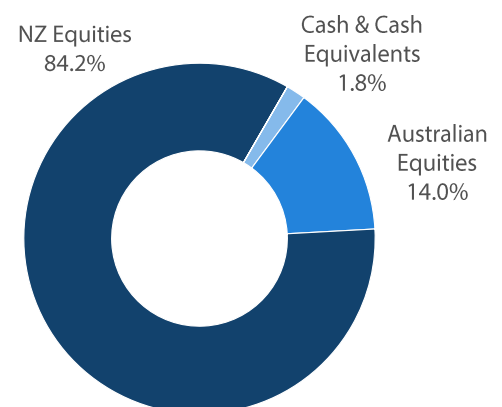
Overview

The Core Equity strategy 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.

Objective

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

Asset Allocation



NIKKO AM CORE EQUITY STRATEGY

Attribution to Performance			
What Helped:		What Hurt:	
Aristocrat Leisure	OW	Metlifecare	OW
The A2 Milk Company	OW	Summerset Group	OW
Ryman Healthcare	NH	EBOS Group	NH
OW: overweight; UW: underweight; NH: no holding. Month end position			
Top 10 Holdings			
The A2 Milk Company	12.56%	Infratil	5.13%
Contact Energy	7.33%	Z Energy	4.81%
Fletcher Building	6.32%	Metlifecare	4.68%
Spark New Zealand	6.25%	Summerset Group	4.46%
Auckland Airport	5.77%	Skycity Entertainment	4.24%
Number of holdings			33

Sector Allocation	Fund	Benchmark
Consumer Discretionary	14.54%	6.73%
Healthcare	14.20%	17.99%
Consumer Staples	13.78%	11.48%
Utilities	12.46%	16.48%
Industrials	10.00%	15.81%
Energy	9.60%	2.85%
Materials	7.28%	4.48%
Communication Services	6.74%	10.94%
Real Estate	4.27%	9.18%
Financials	3.42%	2.36%
Information Technology	1.92%	1.71%
Cash	1.80%	0.00%

Market Commentary

Equity markets bounced back from their tough end to 2018 with a strong start to 2019. The United States S&P 500 index rose 7.9%, the Japanese Nikkei 225 index was up 3.8%, and the FTSE 100 index added 3.6% and the MSCI World index ended up 6.5%. The New Zealand market, which didn't perform as poorly as other markets last year, was a relative underperformer in January, up only 2.0%. US Interest rates fell during the month as the US Federal Reserve said that it will be patient in reviewing the federal funds rate which investors took positively. The New Zealand dollar appreciated 3.0% against the US dollar and depreciated 0.2% against the Australian dollar.

Fund Commentary

The fund ended the month up 3.2% and 1.2% ahead of the index. The largest positive contributors to relative return was an overweight position in **A2 Milk** (ATM) and **Aristocrat Leisure** (ALL) which rose 13.5% and 12.9% respectively over the month. ATM's processor received registration renewal which allows its canned product to be exported to China. ALL had strong market survey data for their machines in North America and Australia. Underweight positions in Ryman Healthcare (RYM) and Air New Zealand (AIR) also contributed positively. RYM lost 2.4% and, as with the rest of the retirement sector, continues to be impacted by housing market sentiment. AIR dropped 9.4% following downgrading its earnings guidance on the back of slower than expected growth in tourism. The largest negative contributors to relative return were overweight positions in **Metlifecare** (MET), **Summerset Group** (SUM) and **New Zealand Refining** (NZR). Retirement village operations MET and SUM both fell 4.1% while NZR lost 0.9% as refining margins came under pressure. EBOS Group's nil holding detracted from performance as the stock rallied strong up 8% following the completion of the Terry White Group pharmacies.

(Bold denotes stock held in portfolio)

Key Fund Facts

Distributions		Estimated annual fund charges		
Wholesale fund:	Calendar quarter	Wholesale:	Negotiated outside of fund	
Retail fund:	March and September	Retail:	1.00%, refer PDS for more details	
KiwiSaver fund:	Does not distribute	KiwiSaver:	0.95%, refer PDS for more details. Fee waived until 31/3/19	
Hedging		Buy / Sell spread	Strategy size	Strategy Launch
Foreign currency exposures may be hedged to NZD at the Manager's discretion within an operational range of 0% to 105%. Currently the fund's foreign currency exposure is unhedged		0.29% / 0.29%	\$491.0m	October 2007

Compliance

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

Contact Us

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