

Factsheet 28 February 2019

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 continued their strong start to the year.
- The United States S&P 500 index rose 3.3%, the Japanese Nikkei 225 index was up 2.9%, and the FTSE 100 index added 1.5% and the MSCI World index ended up 3.4%.
- S&P/NZX 50 index performed in line with most international markets, up 3.8%.

Fund Highlights

- The fund ended the month up 3.75%, in line with the index.
- February was busy in terms of company news flow with a number of the fund's holdings reporting results for the period ending December 2018.
- Key positions that added value were overweight's in Viva Energy and A2 Milk alongside underweights in Air New Zealand and EBOS Group. The fund's underweight in Fisher & Paykel Healthcare detracted value as did our overweight positions in NZ Refining and Metlifecare.

Performance

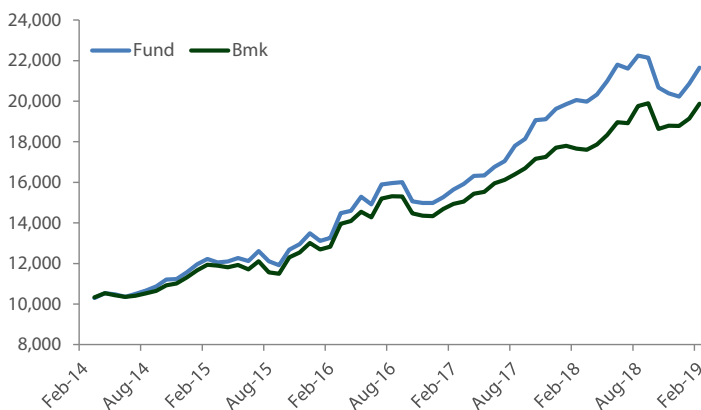
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	3.75%	6.21%	7.94%	17.75%	16.71%	16.61%
Benchmark ²	3.81%	5.78%	12.57%	15.73%	14.73%	15.43%
Retail ³	3.65%	5.92%	6.87%	16.23%	15.20%	
KiwiSaver ³	3.76%	6.22%				

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.

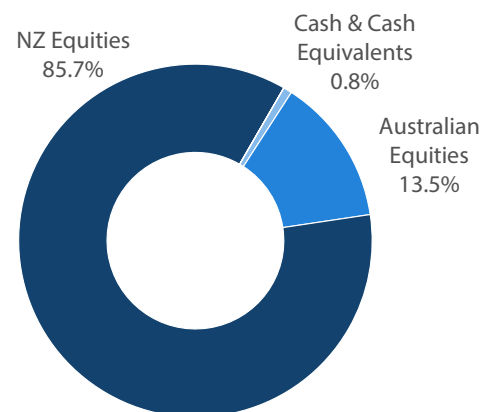
Overview

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



Attribution to Performance			
What Helped:		What Hurt:	
Viva Energy	OW	Fisher & Paykel Healthcare	UW
Air New Zealand	NH	NZ Refining Company	OW
The A2 Milk Company	OW	Metlifecare	OW
OW: overweight; UW: underweight; NH: no holding. Month end position			
Top 10 Holdings			
The A2 Milk Company	12.73%	Auckland Airport	5.90%
Contact Energy	8.39%	Infratil	5.23%
Fisher & Paykel Healthcare	7.60%	Z Energy	4.69%
Spark New Zealand	7.42%	Summerset Group	4.59%
Fletcher Building	5.97%	Metlifecare	4.46%
Number of holdings			34

Sector Allocation	Fund	Benchmark
Healthcare	17.65%	19.19%
Consumer Staples	13.90%	13.96%
Utilities	13.62%	14.74%
Consumer Discretionary	11.10%	6.17%
Industrials	10.14%	14.97%
Energy	9.55%	3.59%
Communication Services	7.79%	9.71%
Materials	7.06%	5.05%
Financials	3.64%	3.41%
Real Estate	3.08%	8.72%
Information Technology	1.72%	0.60%
Cash	0.75%	0.00%

Market Commentary

Equity markets backed up the strong January performance with another good month in February. The United States S&P 500 index rose 3.3%, the Japanese Nikkei 225 index was up 2.9%, the FTSE 100 index added 1.5% and the MSCI World index ended up 3.4%. The New Zealand market produced a good return, in line with most international markets, up 3.8% as measured by the S&P/NZX 50 index. Heavy news flow from companies reporting results for the period ending December 2018 produced a large range of returns across the market.

Fund Commentary

The fund ended the month up 3.75% in line with the market which delivered 3.81%. The largest positive contributor to relative return was an overweight position in **Viva Energy** (VEA) which reported a new extended alliance deal with Coles Express to 2029. Importantly VEA now takes control of the retail fuel pricing and marketing from Coles and confirmed their first half 2019 prospectus earnings. AIR New Zealand dropped another 12.1% to add to the 9.4% of last month's fall, driven by earnings downgrade on the back of slower than expected growth in tourism. **A2 Milk** (ATM) continues to produce outstanding results, up 13.1% over the month supported by very strong first half earnings numbers. **Fisher & Paykel Healthcare** (FPH) detracted from performance as the stock rose 17% after unexpectedly announcing they had reached settlement of their legal dispute with Resmed (RMD). Other detractors were overweight positions in **New Zealand Refining** (NZR) and **Metlifecare** (MET). NZR fell 9.9% after forecasting higher expenses for the year ahead, more than the market was expecting. While MET released a half year earnings result which showed no particular issues, the stock continues to struggle to find support and fell 1.6%. Both Mirvac Group and TradeMe Group were sold completely over the month. ATM was mildly reduced during the month but remains just over 2% overweight. The proceeds were invested in Contact Energy, Spark and FPH.

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

Key Fund Facts

Distributions

Wholesale fund: Calendar quarter
Retail fund: March and September
KiwiSaver fund: Does not distribute

Estimated annual fund charges

Wholesale: Negotiated outside of fund
Retail: 1.00%, refer PDS for more details
KiwiSaver: 0.95%, refer PDS for more details. Fee waived until 31/3/19

Hedging

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

Buy / Sell spread

0.29% / 0.29%

Strategy size

\$507.9m

Strategy Launch

October 2007

Compliance

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

Contact Us

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