

Factsheet 31 July 2019

NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

Market Overview

- Equity markets continue to push higher on the back of low interest rates
- The United States S&P 500 index rose 1.3%, the Japanese Nikkei 225 index increased 1.2%, the FTSE 100 index added 2.2%, the ASX 200 index was up 2.9% and the MSCI World index ended the month up 0.9% (all in local currency).
- The S&P/NZX 50 index continues to perform well against our international peers, up 3.4% for the month and 23.9% calendar year-to-date.
- Bond yields continued to fall globally with the NZ 10-year bond ending the month at 1.44% and the Australian 10-year bond at 1.19%.

Fund Highlights

- The fund ended the month up 3.60%
- Key positions that added-value were overweights in A2 Milk and Viva Energy, together with underweights in Auckland International Airport and Chorus.
- Overweights in Contact Energy and Infratil and an underweight in Ryman Healthcare detracted from value.

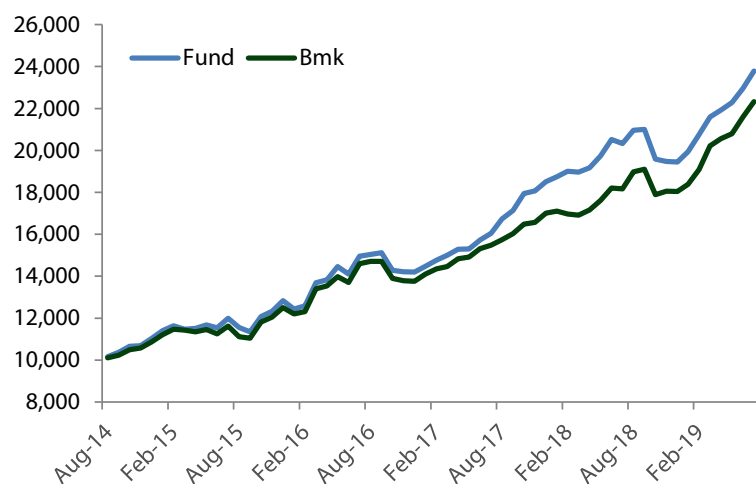
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	3.60%	8.48%	17.04%	16.74%	18.92%	15.29%
Benchmark ²	3.41%	8.58%	22.92%	15.21%	17.43%	14.73%

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.

Five Year Cumulative Performance, \$10,000 invested^{1, 2}



Portfolio Manager

Michael De Cesare,

Portfolio Manager, CAIA

Michael joined Nikko AM in 2012 and has over 9 years of experience working in financial markets and corporate finance. He is responsible for the SRI Fund and from a research perspective covers the Consumer Discretionary and Consumer Staples sectors.



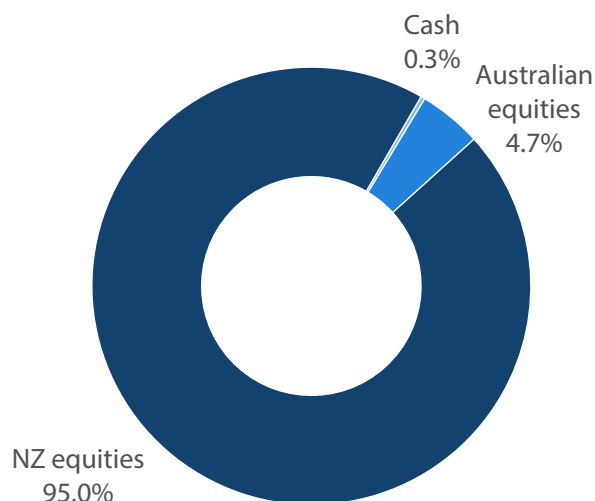
Overview

The SRI 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. In addition, the fund has a negative screen to exclude liquor, tobacco, armaments, gambling, adult entertainment and fossil fuel stocks.

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:	
The A2 Milk Company	OW	Contact Energy	OW
Chorus	NH	Ryman Healthcare	NH
Viva Energy	OW	Infratil	OW
OW: overweight; UW: underweight; NH: no holding. Month end position			
Top 10 Holdings			
The A2 Milk Company limited	16.25%	Fisher & Paykel Health.	7.34%
Contact Energy	10.26%	Mainfreight	5.67%
Spark New Zealand	8.16%	Z Energy	5.22%
Infratil	8.03%	Fletcher Building	4.34%
Auckland Int. Airport	7.40%	Meridian Energy	3.90%
Number of holdings			31

Sector Allocation	Fund	Benchmark
Utilities	23.11%	16.86%
Consumer Staples	17.96%	14.10%
Industrials	13.08%	15.36%
Health Care	12.76%	17.99%
Communication Services	8.70%	9.45%
Real Estate	8.68%	9.24%
Energy	6.65%	2.79%
Materials	4.73%	4.23%
Consumer Discretionary	2.02%	5.80%
Information Technology	2.00%	1.84%
Cash	0.31%	0.00%
Financials	0.00%	2.34%

Market Commentary

The performance of global equity markets remains a function of the low interest rate environment and evolving views as to future monetary policy. To an extent, this driver continues to overwhelm the influence of corporate earnings and broader company specific risk factors. The United States S&P 500 index rose 1.3%, the Japanese Nikkei 225 index increased 1.2%, the FTSE 100 index added 2.2%, the ASX 200 index was up 2.9% and the MSCI World index ended the month up 0.9%. The S&P/NZX 50 index continues to perform well against our international peers, up 3.4% for the month and 23.9% calendar year-to-date.

Fund Commentary

The fund delivered a positive 3.60% return for the month.

The largest positive contributors to relative return were an overweight in **A2 Milk (ATM)** and **Viva Energy (VEA)** alongside a zero position in Chorus (CNU). **ATM** rose 22.8% following industry channel checks that lifted expectations for a strong earnings result in August.

VEA continued its admirable rally, adding 13.7% lifting the return to 35% year-to-date. The IPO last year was the largest in Australia since 2014 but the share price failed to perform as expected. Consequently, the firmer performance this year has been welcome.

CNU fell 3.1% against a strong market, with greater unease around the regulatory risk profile of the business.

The largest negative contributors to relative return were overweight positions in **Contact Energy (CEN)** and **Infratil (IFT)** and a nil holding in Ryman Healthcare (RYM). Consolidating after very strong runs, CEN lost 2.6% while IFT ended the month flat. On no company specific news, RYM rose 9.8%.

Key portfolio changes included adding **APN Industria REIT (ADI)** and exiting the small residual Japara Healthcare (JHC) position.

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

Key Fund Facts

Distributions

Calendar quarter.

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

Estimated annual fund charges

Wholesale: negotiated outside of fund

Buy / Sell spread:

0.29% / 0.29%

Strategy Launch Date

January 2008

Strategy size

\$33.4m

Compliance

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

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