

# 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

- Global trade, growth, Hong Kong and Brexit concerns weighed on equity markets
- The United States S&P 500 index fell 1.8%, the Japanese Nikkei 225 index lost 3.8%, the FTSE 100 index dropped 5.0%, the ASX 200 index was down 2.4% and the MSCI World index ended the month down 2.0% in local currency.
- The S&P/NZX 50 index recorded its first down month for the year falling 0.9%.

## Fund Highlights

- The fund ended the month down 1.3%, 0.4% behind the index
- Key positions that added value were overweights in Contact Energy, Ingenia Communities, Summerset and Spark. Overweight positions in A2 Milk and Viva Energy detracted value, as did underweights in Meridian Energy and Mercury Energy. A nil holding in Vista Group added relative value following weak guidance.

## Performance

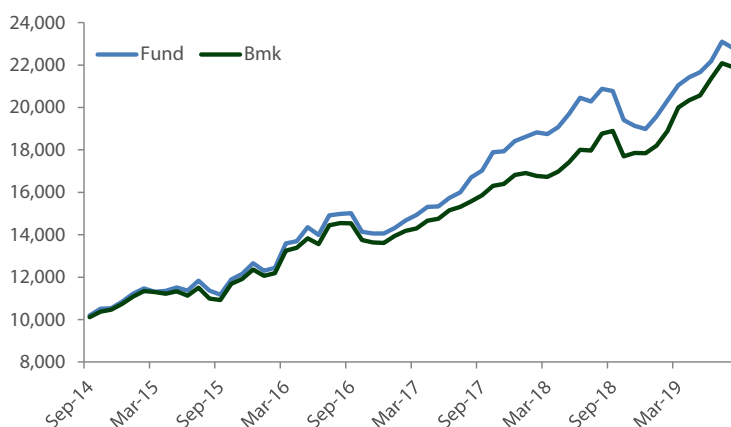
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-1.28%	5.25%	9.24%	15.03%	17.93%	15.08%
Benchmark <sup>2</sup>	-0.85%	6.49%	16.66%	14.62%	16.98%	14.67%
Retail <sup>3</sup>	-1.35%	4.75%	7.96%	13.54%	16.39%	
KiwiSaver <sup>3</sup>	-1.28%	5.03%	9.05%			

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, \$10,000 invested<sup>1, 2</sup>



## 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.

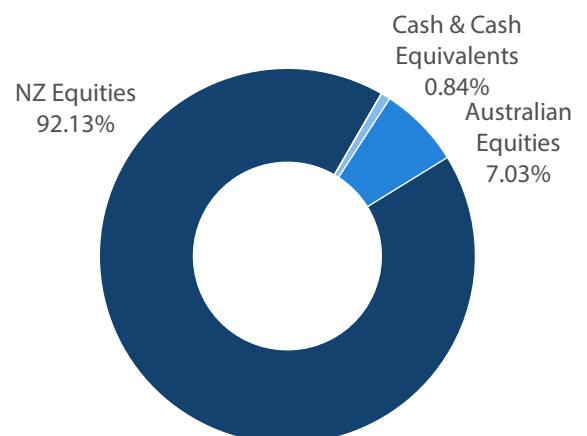
## Overview

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 (month)			
What Helped:		What Hurt:	
Contact Energy	OW	The A2 Milk Company	OW
Ingenia Communities	OW	Viva Energy	OW
Summerset Group	OW	Meridian Energy	UW
Top 10 Holdings			
The A2 Milk Company	12.44%	Auckland Int Airport	6.20%
Spark New Zealand	9.85%	Z Energy	5.58%
Contact Energy	9.58%	Fletcher Building	4.85%
Fisher & Paykel	7.05%	Summerset Group	4.34%
Infratil	6.50%	Mainfreight	4.33%
Number of holdings			<b>32</b>

Sector Allocation	Fund	Benchmark
Utilities	20.40%	19.73%
Health Care	15.38%	18.76%
Consumer Staples	13.79%	11.66%
Industrials	10.85%	16.71%
Communication Services	10.85%	9.87%
Energy	9.45%	2.66%
Consumer Discretionary	7.40%	3.10%
Materials	5.68%	3.48%
Real Estate	3.38%	10.24%
Information Technology	1.98%	1.49%
Cash	0.84%	0.00%
Financials	0.00%	2.30%

## Market Commentary

Back and forward trade tariffs between China and the United States, concerns around global growth, Hong Kong and Brexit all weighed on equity markets. The United States S&P 500 index fell 1.8%, the Japanese Nikkei 225 index lost 3.8%, the FTSE 100 index dropped 5.0%, the ASX 200 index was down 2.4% and the MSCI World index ended the month down 2.0%, all in local currency. While the S&P/NZX 50 index outperformed most global indices it did end the month down 0.9%, its first down month for the year. Companies with June half or full year ends reported results during the month which on balance were in line with or better than expected although outlook statements were cautious.

## Fund Commentary

The fund underperformed the market over the month. The largest positive contributors to relative return were overweights in **Contact Energy** (CEN), **Ingenia** (INA), **Summerset** (SUM) and **Spark** (SPK). Dividend yield continued to be a driver of returns with CEN and SPK both reaffirming dividend expectations and up 11.3% and 11.1% respectively. SUM rose 8.1% after reporting a result that showed continued demand and price growth for retirement units. INA backed up the last few months strong run adding 15.5% (in AUD) on the back of a good earnings result. The portfolio also benefitted from a nil holding in Vista Group. The largest negative contributors to relative return were overweights in **A2 Milk** (ATM) and **Viva Energy** (VEA). ATM had been very strong in July but this was erased in August as it lost 19.8% after reporting a strong result but forecasting margins would be slightly lower going forward. VEA reported an acceptable first half result and good market share gains but the outlook commentary was soft versus expectations. Underweight positions in **Meridian Energy** (MEL) and **Mercury Energy** (MCY) detracted from performance given strong price appreciation.

Key portfolio changes in the month included adding to **Sky Television** (SKT), **Meridian Energy** (MEL) and **Sanford** (SAN). Chorus was added to the portfolio during the month although remains underweight. **Napier Port Holdings** (NPH) was also added at its initial public offering. (**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 (incl. GST)

Wholesale:	Negotiated outside of fund
Retail:	1.02%, refer PDS for more details
KiwiSaver:	0.97%, refer PDS for more details. Fee waived until 30/9/19

### 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

\$438.4m

### Strategy Launch

October 2007

## Compliance

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

## Contact Us

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