

NIKKO AM CORE EQUITY STRATEGY

Assets are held in the Nikko AM Wholesale Core Equity Fund. The Nikko AM Core Equity Fund (retail) and Nikko AM KiwiSaver Core Equity Fund invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- Global macro and trade concerns as well as domestic news and stock placements led to quite different outcomes across markets.
- The United States S&P 500 index rose 2.5%, the Japanese Nikkei 225 index increased 5.4%, the FTSE 100 index fell 2.2%, the ASX 200 index lost 0.4% and the MSCI World index ended the month up 2.3% all in local currency.
- The S&P/NZX 50 index had a rare down month losing 1.2% but is still up 23.5% year-to-date.

Fund Highlights

- The fund ended the month in-line with the index returning -1.21%
- Key positions that added value were overweights in Metlifecare and Michael Hill International and an underweight in Meridian Energy. Overweights in Contact Energy and Sky TV and an underweight in Fisher & Paykel Healthcare detracted from value.

Performance

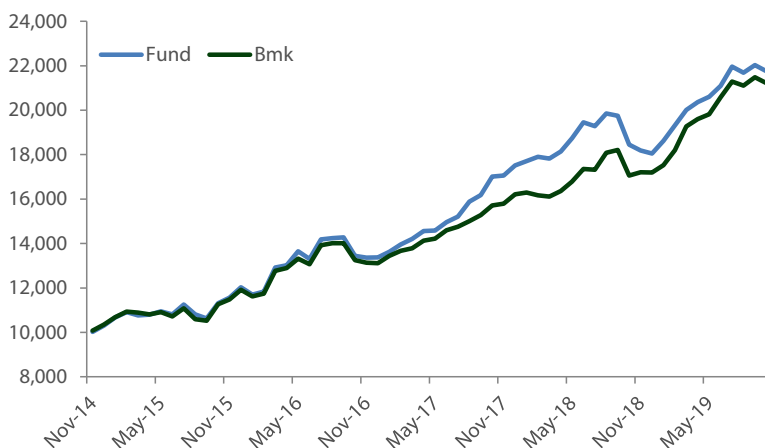
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-1.21%	-0.94%	17.94%	17.42%	16.82%	14.69%
Benchmark ²	-1.21%	-0.29%	24.43%	17.00%	16.24%	14.28%
Retail ³	-1.29%	-1.18%	16.50%	15.90%	15.33%	
KiwiSaver ³	-1.27%	-1.02%	17.64%			

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^{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.

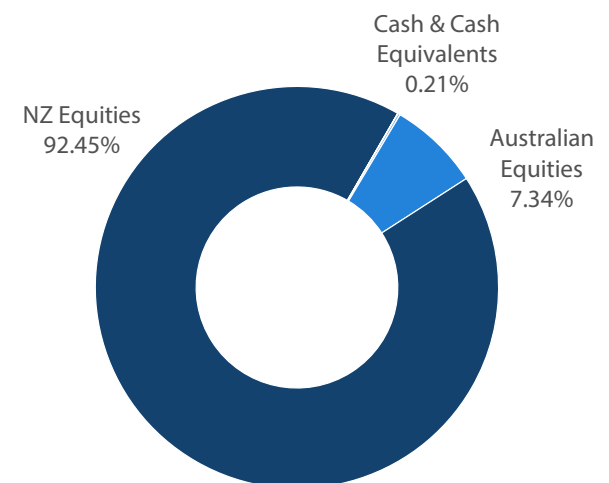
Overview

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 (month)			
What Helped:		What Hurt:	
Metlifecare	OW	Contact Energy	OW
Meridian Energy	UW	Fisher & Paykel Healthcare	UW
Michael Hill	OW	Sky Network Television	OW
Top 10 Holdings			
The A2 Milk Company	11.19%	Auckland Int Airport	6.09%
Spark New Zealand	9.50%	Summerset Group	4.76%
Contact Energy	8.43%	Z Energy	4.71%
Fisher & Paykel Healthcare	8.10%	Fletcher Building	4.29%
Infratil	7.04%	Mainfreight	4.24%
Number of holdings			35

Sector Allocation	Fund	Benchmark
Utilities	20.87%	18.87%
Health Care	17.17%	20.52%
Consumer Staples	12.62%	10.87%
Communication Services	10.71%	10.01%
Industrials	10.33%	16.39%
Energy	8.61%	2.30%
Consumer Discretionary	7.90%	3.41%
Materials	5.18%	3.59%
Real Estate	4.07%	10.19%
Information Technology	2.34%	1.51%
Cash	0.21%	0.00%
Financials	0.00%	2.34%

Market Commentary

Equity markets were mixed over the month with economic data, trade negotiations, Brexit, Hong Kong protests and company earnings results impacting on markets. The United States S&P 500 index rose 2.5%, the Japanese Nikkei 225 index increased 5.4%, the FTSE 100 index fell 2.2%, the ASX 200 index lost 0.4% and the MSCI World index ended the month up 2.3% all in local currency. The New Zealand market was impacted by the New Zealand Aluminium Smelter announcing a review of its operations and as a result the electricity stocks saw their share prices sold off. Kiwi Property also announced a \$200 million capital raising which saw selling of the property sector. The S&P/NZX 50 index ended the month down 1.2%.

Fund Commentary

The fund performed in-line with the index over the month, returning -1.2%. The largest positive contributors to relative return were an overweight position in **Metlifecare** (MET) and underweight in **Meridian Energy** (MEL). MET rose 8.1% after announcing a \$30 million buyback at its annual shareholder meeting along with some relatively positive Auckland residential property figures. MEL had a bad month, down 11.5% as the market worked through potential impacts from the aluminium smelters’ review which range from lower prices through to outright closure. **Michael Hill International** (MHJ) rallied ~17% after a strong 1Q20 sales update comforted the market on the strategy execution by management. The largest negative contributors to relative return were overweights in **Contact Energy** (CEN) and **Sky TV** (SKT) and an underweight in **Fisher & Paykel Healthcare**. CEN, impacted by the aluminium smelter news, dropped 13.6% while SKT fell 19.7% as it continues its battle for sports rights. FPH rose 10.7% after announcing an earnings forecast upgrade.

Key portfolio changes in the month included adding **Kiwi Property Group** (KPG) and **Serko** (SKO) to the fund through their respective capital raisings. The portfolio also added to its position in SKT.

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

Key Fund Facts

Distributions		Estimated annual fund charges (incl. GST)		
Wholesale fund:	Calendar quarter	Wholesale:	Negotiated outside of fund	
Retail fund:	March and September	Retail:	1.02%, refer PDS for more details	
KiwiSaver fund:	Does not distribute	KiwiSaver:	0.97%, refer PDS for more details.	
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%	\$452.9m	October 2007

Compliance

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

Contact Us

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