

NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

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%.
- 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 outperformed the index returning -0.91% versus the index of -1.21%
- Key positions that added value were overweights in Ingenia Communities, Michael Hill International and Spark. Overweights in Contact Energy and Sky TV and an underweight in Fisher & Paykel Healthcare detracted from value.

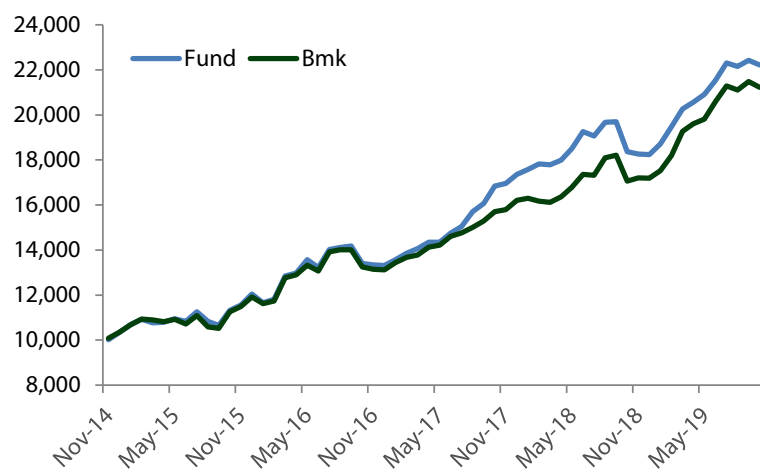
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-0.91%	-0.43%	20.97%	18.36%	17.31%	14.51%
Benchmark ²	-1.21%	-0.29%	24.43%	17.00%	16.24%	13.97%

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.

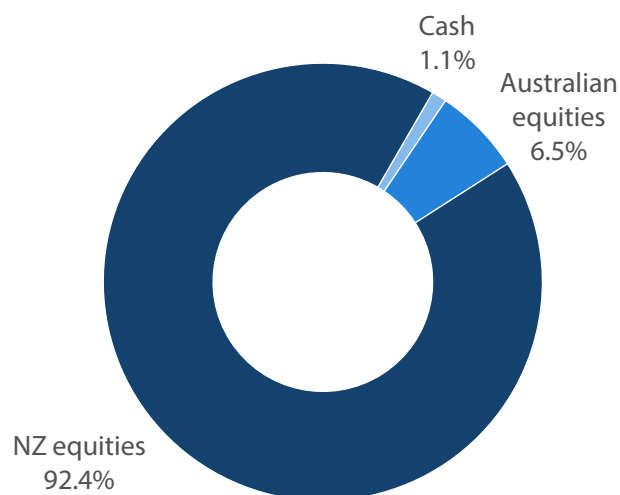
Overview

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:	
Ingenia Communities Group	OW	Contact Energy	OW
Michael Hill	OW	Sky Network Television	OW
Spark	OW	Fisher & Paykel Healthcare	UW
OW: overweight; UW: underweight; NH: no holding at month end position			
Top 10 Holdings			
The A2 Milk	10.73%	Infratil	6.47%
Spark New Zealand	10.05%	Summerset Group	5.13%
Fisher & Paykel	8.43%	Meridian Energy	4.90%
Contact Energy	8.34%	Mainfreight	4.62%
Auckland Int. Airport	7.89%	Z Energy	3.32%
Number of holdings fund			34

Sector Allocation	Fund	Benchmark
Utilities	21.23%	18.87%
Health Care	15.19%	20.52%
Communication Services	12.92%	10.01%
Industrials	12.88%	16.39%
Consumer Staples	12.55%	10.87%
Real Estate	11.54%	10.19%
Energy	5.19%	2.30%
Materials	3.34%	3.59%
Consumer Discretionary	2.51%	3.41%
Information Technology	1.54%	1.51%
Cash	1.11%	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%. 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 outperformed the market over the month by 0.30%. Ingenia Communities (INA) continued its recent good run adding 9.8% (in AUD) following announcing a \$131.1 million capital raising to fund acquisitions. Michael Hill International (MHJ) rallied ~17% after a strong 1Q20 sales update comforted the market on the strategy execution by management. Spark NZ (SPK) rallied modestly (1.7%) without any news flow. 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 KPG and Serko (SKO) to the fund through their respective capital raisings. The portfolio also added modestly to its positions in SKT and Fisher & Paykel Healthcare (FPH).

Key Fund Facts

Distributions

Calendar quarter.

Estimated annual fund charges

Wholesale: negotiated outside of fund

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 Launch Date

January 2008

Strategy size

\$39.8m

Compliance

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

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