

NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

Market Overview

- Equity markets around the world performed strongly over November.
- The United States S&P 500 index rose 3.4%, the Japanese Nikkei 225 index increased 1.6%, the FTSE 100 index was up 1.4%, the ASX 200 index rose 3.3% and the MSCI World index ended the month up 2.9% in local terms.
- The S&P/NZX 50 index had a strong month, up 5.0% and is now up 29.6% year to date.

Fund Highlights

- The fund ended the month up 5.56%.
- Key positions that added value were overweights in Summerset, A2 Milk and Metlifecare. Underweights in Ryman Healthcare and overweights in Contact Energy and Investore Property detracted from value.

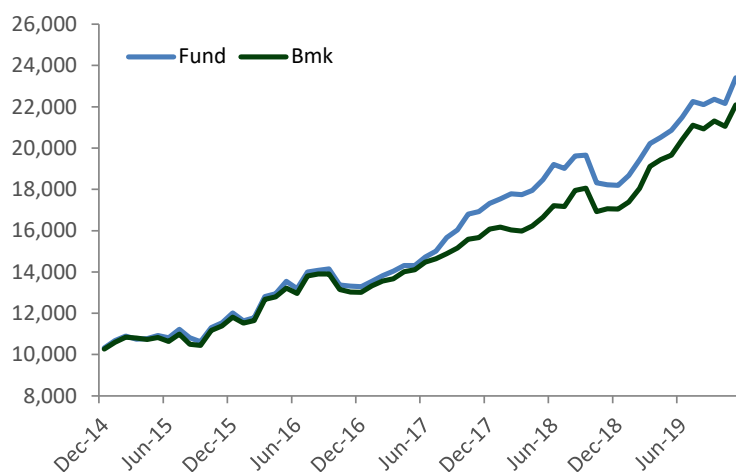
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	5.56%	5.86%	28.39%	20.70%	18.53%	15.42%
Benchmark ²	4.95%	5.54%	29.46%	19.24%	17.18%	14.85%

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.



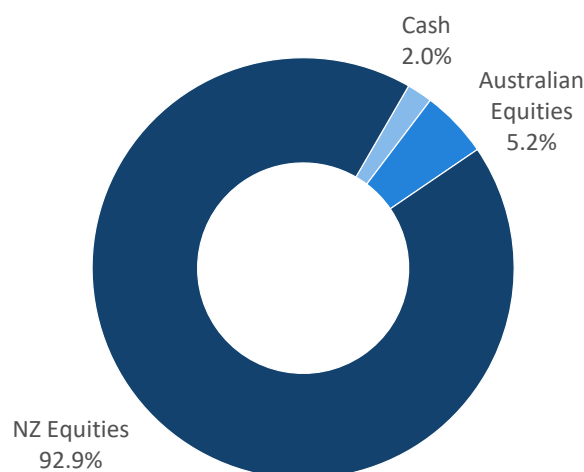
Overview

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				Sector Allocation		
What Helped:		What Hurt:		Fund	Benchmark	
Summerset Group	OW	Ryman Healthcare	UW	Utilities	20.00%	17.77%
The A2 Milk	OW	Contact Energy	OW	Health Care	19.05%	22.15%
Metlifecare	OW	Investore Property	OW	Consumer Staples	13.77%	11.99%
OW: overweight; UW: underweight; NH: no holding at month end position				Industrials	11.85%	15.57%
Top 10 Holdings				Communication Services	11.50%	9.86%
The A2 Milk	12.04	Infratil	5.98%	Real Estate	9.44%	9.80%
Spark New Zealand	8.83%	Mainfreight	5.04%	Energy	5.24%	2.11%
Fisher & Paykel Healthcare	8.65%	Meridian Energy	4.88%	Materials	3.80%	3.91%
Contact Energy	7.84%	Summerset Group	4.83%	Cash	1.95%	0.00%
Auckland Int. Airport	6.81%	Metlifecare	3.76%	Consumer Discretionary	1.90%	3.28%
			Number of holdings	Information Technology	1.50%	1.47%
				Financials	0.00%	2.10%

Market Commentary

Equity markets performed strongly over the month. The United States S&P 500 index rose 3.4%, the Japanese Nikkei 225 index increased 1.6%, the FTSE 100 index was up 1.4%, the ASX 200 index rose 3.3% and the MSCI World index ended the month up 2.9% in local terms. The New Zealand market saw a sell down of 15 million shares or \$337.5 million of **Ebos** (EBO) shares from an existing holder. The property sector was also impacted for the third month in a row by a capital raising, this time **Investore Property** (IPL) raised \$60 million to acquire three additional properties. The S&P/NZX 50 index had a very strong month, up 5.0%.

Fund Commentary

The fund delivered 5.56% over the month. The largest positive contributors to relative return were overweights in **Summerset** (SUM), **A2 Milk** (ATM) and **Metlifecare** (MET). SUM rose 17%, supported by the improving housing market data and flow on impact from the **MET** takeover offer. **ATM** provided a better than expected update to the market with forecast margins higher than previously guided to. The stock rose 19.4% over the month. MET rose 21.2% after announcing they have received a takeover offer along with improving housing market data. The largest negative contributors to relative return were an underweight in **Ryman Healthcare** (RYM) and overweights in **Contact Energy** (CEN) and **Investore Property** (IPL). **RYM** moved in line with the rest of the retirement sector and ended the month up 17.0%. Following last month's hit to the electricity companies due to the aluminium smelter's review of its operation, **CEN** fell 2.9% this month as it was also impacted by MSCI index movements. IPL equity raise was done to acquire three additional properties however in doing so, pulled down the share price.

Key portfolio changes in the month included adding EBO to the fund, through its sell down. Increasing positions in CEN, **Meridian Energy** (MEL) and **Z Energy** (ZEL). The fund's positions in **Fletcher Building** (FBU), ATM, **NZ Refining** (NZR) were all reduced to varying degrees.

(**Bold** denotes stocks held in the portfolio)

Key Fund Facts

Distributions	Estimated annual fund charges		
Calendar quarter.	Wholesale: negotiated outside of fund		
Hedging	Buy / Sell spread:	Strategy Launch Date	Strategy size
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%	January 2008	\$44.8m

Compliance

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

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