

Factsheet 31 January 2020

# 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

- Equity markets struggled with direction with US earnings results generally positive but global concerns around coronavirus pulling the other way.
- The United States S&P 500 index lost 0.2%, the Japanese Nikkei 225 index fell 1.9%, the UK FTSE 100 index lost 3.4%, the Australian ASX 200 index was up 5.0% and the MSCI World index ended the month down 0.6%.
- The S&P/NZX 50 index gained 2.0% although was closed before the last day sell off of international markets.
- Bond yields fell in response to coronavirus concerns with the NZ Government 10-year bond ending the month at 1.3%, the Australian 10-year bond at 0.95% and US 10-year bond at 1.51%.

## Fund Highlights

- The fund ended the month up 2.2%, 0.25% ahead of the index.
- Key positions that added value were overweight positions in Infratil and Spark as well as an underweight in Port of Tauranga. Overweight positions in New Zealand Refining, Viva Energy and Sky City Entertainment detracted from value.

## Performance

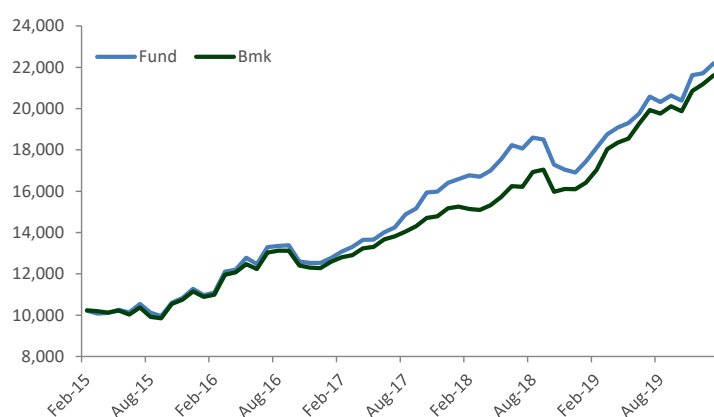
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	2.22%	8.83%	27.18%	20.24%	17.28%	15.74%
Benchmark <sup>2</sup>	1.97%	8.73%	31.62%	19.74%	16.66%	15.40%
Retail <sup>3</sup>	2.13%	8.55%	25.58%	18.67%	15.79%	
KiwiSaver <sup>3</sup>	2.14%	8.59%	26.55%			

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.

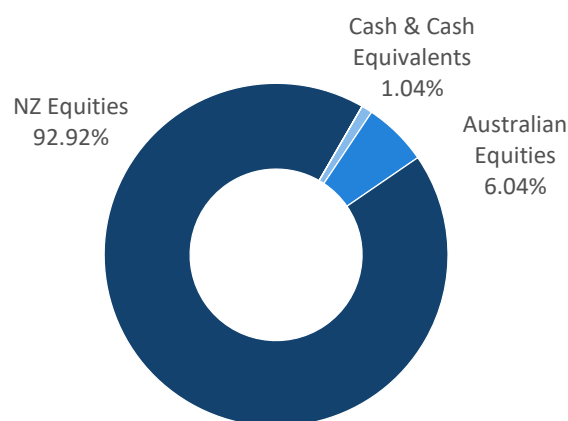
## Overview

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:	
Infratil	OW	NZ Refining Co	OW
Port of Tauranga	NH	Viva Energy Group	OW
Spark NZ	OW	Sky City Entertainment	OW
Top 10 Holdings			
The A2 Milk Company	11.39%	Auckland Int Airport	5.37%
Spark New Zealand	9.63%	Summerset Group	5.16%
Fisher & Paykel Healthcare	9.35%	Metlifecare	4.47%
Contact Energy	8.28%	Meridian Energy	4.32%
Infratil	6.60%	Mainfreight	4.20%
Number of holdings			<b>34</b>

Sector Allocation	Fund	Benchmark
Health Care	21.78%	23.32%
Utilities	21.09%	18.51%
Consumer Staples	12.89%	11.18%
Communication Services	10.57%	9.90%
Industrials	9.57%	14.99%
Consumer Discretionary	6.27%	3.01%
Energy	6.09%	1.75%
Materials	4.31%	3.89%
Real Estate	3.70%	9.92%
Information Technology	2.70%	1.38%
Cash	1.03%	0.00%
Financials	0.00%	2.15%

## Market Commentary

Equity markets struggled with direction with US earnings results generally positive but global concerns around coronavirus pulling the other way. The United Kingdom’s exit from the European Union also became official as of the end of January. The United States S&P 500 index lost 0.2%, the Japanese Nikkei 225 index fell 1.9%, the UK FTSE 100 index lost 3.4%, the Australian ASX 200 index was up 5.0% and the MSCI World index ended the month down 0.6%. While the New Zealand market was up for the month, it was insulated from the last day sell off of offshore markets which occurred after the New Zealand market had closed.

Retirement and aged care provider **Oceania Healthcare** (OCA) saw a large parcel of shares traded as an existing shareholder sold down their stake worth more than \$300 million.

## Fund Commentary

The fund outperformed the market over the month, up 2.2% compared to the 2.0% return of the index. The largest positive contributors to relative return were overweights in **Infratil** (IFT) and **Spark** (SPK) and a nil holding in **Port of Tauranga** (POT). IFT rose 7.5% as it benefited from a large revaluation of its Canberra Data Centre investment. SPK rose 7.6% in January as it recovered from a weak share price in December. POT lost 4.7% following a very strong run in recent months and also from the potential for earnings to be impacted from the coronavirus outbreak. The largest negative contributors to relative return were overweights in **New Zealand Refining** (NZR) and **Viva Energy** (VEA). NZR lost 13.3% and VEA lost 11.1% as weak refining margins weigh on the stocks. **Sky City Entertainment** (SKC) fell on concerns relating to expected reduced visitation on coronavirus risks.

Key portfolio changes in the month included adding **Oceania Healthcare** (OCA) to the fund through the previously mentioned sell down. Positions in **Sky City Entertainment** (SKC), **Metlifecare** (MET), IFT and **Fletcher Building** (FBU) were reduced. (**Bold** denotes stocks held in the portfolio)

## Key Fund Facts

<b>Distributions</b>		<b>Estimated annual fund charges (incl. GST)</b>	
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.
<b>Hedging</b>		<b>Buy / Sell spread</b>	<b>Strategy size</b>
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%	\$477.3m
			<b>Strategy Launch</b>
			October 2007

## Compliance

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

## Contact Us

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