

# 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 had a strong month, recovering some of the large sell off that occurred in March as investors weighed health and economic impacts of COVID-19.
- The United States S&P 500 index jumped 12.7%, the Japanese Nikkei 225 index rose 6.8%, the UK FTSE 100 index gained 4.0%, the Australian ASX 200 index increased 9.0% and the MSCI World index ended the month up 10.4%.
- The S&P/NZX 50 index rose 7.5%, recovering some of last month's decline.

## Fund Highlights

- The fund ended the month up 8.4%, 0.9% ahead of the index.
- Overweight position in Infratil contributed the most to relative performance together with underweight positions in Fisher & Paykel Healthcare and nil holding in Precinct Property. Aristocrat Leisure, A2 Milk and Restaurant Brands overweights were also positives.
- Underweight positions in Ryman Healthcare, Sky City Entertainment and nil holding in Air New Zealand detracted from value.
- The fund participated in the capital raisings of Investore Property and Auckland International Airport.

## Performance

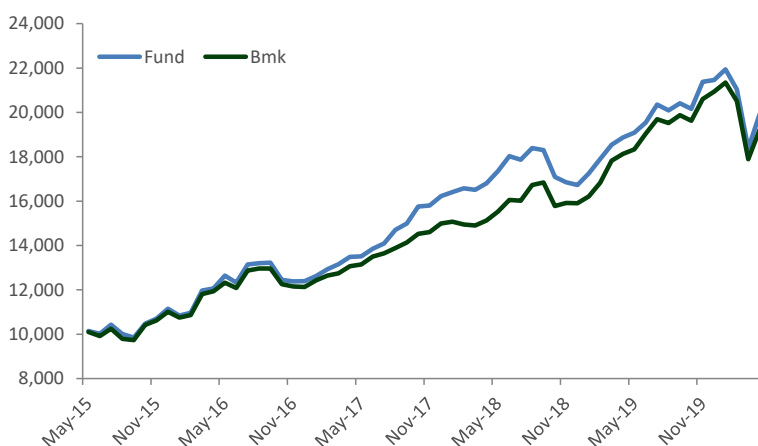
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	8.39%	-9.20%	5.57%	13.87%	14.78%	14.00%
Benchmark <sup>2</sup>	7.51%	-9.90%	6.06%	13.73%	13.97%	13.73%
Retail <sup>3</sup>	8.25%	-9.38%	4.33%	12.49%	13.33%	12.74%
KiwiSaver <sup>3</sup>	8.29%	-9.37%	4.83%			

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.

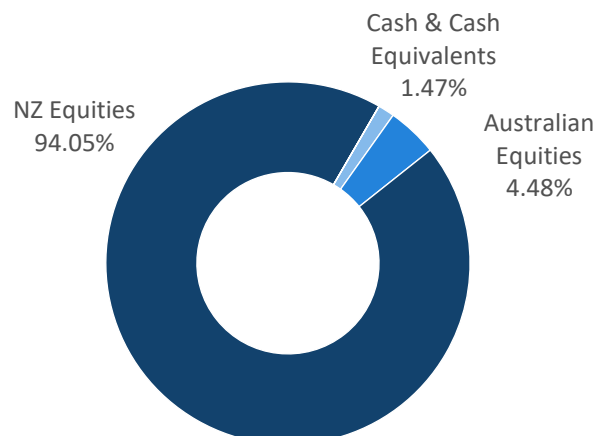
## Overview

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	Ryman Healthcare	UW
Precinct Properties	NH	Sky City Entertainment	UW
Fisher & Paykel Healthcare	UW	Air New Zealand	NH
Top 10 Holdings			
The A2 Milk Company	16.51%	Meridian Energy	5.23%
Fisher & Paykel Healthcare	13.53%	Auckland Intl. Airport	4.72%
Spark New Zealand	10.84%	Summerset Group	4.04%
Contact Energy	7.87%	Mainfreight	3.91%
Infratil	6.60%	Fletcher Building	3.20%
<b>Number of holdings</b>			<b>32</b>

Sector Allocation	Fund	Benchmark
Health Care	21.72%	24.85%
Utilities	21.57%	17.52%
Consumer Staples	18.55%	15.30%
Communication Services	11.38%	10.65%
Industrials	8.63%	13.54%
Materials	4.01%	2.87%
Energy	3.79%	1.31%
Consumer Discretionary	3.30%	2.39%
Information Technology	2.98%	1.12%
Real Estate	2.60%	8.83%
Cash	1.47%	0.00%
Financials	0.00%	1.62%

## Market Commentary

Equity markets had a strong month, recovering some of the large sell off that occurred in March as investors weighed up the health and economic impacts of COVID-19. The monetary and fiscal response from governments and central banks continued to evolve and expand to counter the forced closure of businesses. Throughout April companies raised equity and expanded their bank loan facilities to help fund them through their uncertain earnings outlook. A large number of companies also cancelled dividends and suspended earnings guidance due to the uncertain outlook. A number of companies will be reporting their earnings for the period ending March in May which will be of interest but more important will be their comments about recent trading and any updates on outlook.

## Fund Commentary

The fund ended the month up 8.4%, 0.9% ahead of the index return of 7.5%. The largest positive contributors to relative return an overweight position in **Infratil (IFT)**, underweight position in **Fisher & Paykel Healthcare (FPH)** and nil holding in Precinct Properties (PCT). IFT rose 17.7% in April as it recovered its underperformance compared to the index from March. Following its very strong performance FPH gave up 9.8% in April while PCT fell 6.7% after holding up better than the market in March. The largest negative contributors to relative return were underweight positions **Ryman Healthcare (RYM)**, **Sky City Entertainment (SKC)** and nil holding in Air New Zealand (AIR). After heavy falls in March RYM, SKC and AIR all had strong returns in April on no specific news with RYM up 17.6%, SKC up 42.3% and AIR up 58.2%. It appears that AIR saw heavy buying from retail investors. Our view remains that the AIR business will be very challenged for some time and further equity is likely to be required. SKC is also a business that potentially will require further equity as the country moves through the alert levels.

Key portfolio changes during the month included adding to **Investore Property (IPL)** and **Auckland International Airport (AIA)** through their capital raisings. **Aristocrat Leisure (ALL)** was increased over the month as well. Positions in Kiwi Property Group (KPG) and a small position Oceania Healthcare (OCA) were exiting during the month.

(**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>	<b>Strategy Launch</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%	\$423.6m	October 2007

## Compliance

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

## Contact Us

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the retail and KiwiSaver funds, please refer to the relevant Product Disclosure Statement on [nikkoam.co.nz](http://nikkoam.co.nz).