

# NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

## 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 7.75%, 0.2% ahead of the index.
- Key positions that added value included underweight position in Fisher & Paykel Healthcare (FPH), nil holding in Precinct Properties (PCT) and overweight position in Infratil (IFT).
- Underweight position in Ryman Healthcare (RYM) and nil holdings in Sky City Entertainment (SKC) and Air New Zealand (AIR) detracted from value.

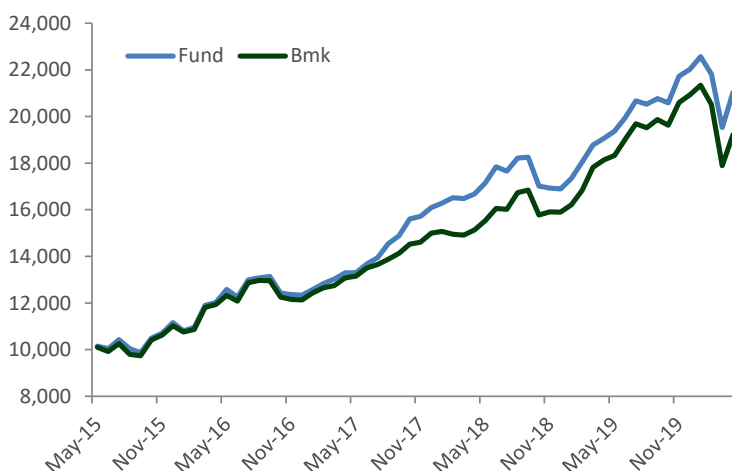
## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	7.75%	-6.79%	10.39%	16.54%	16.04%	14.34%
Benchmark <sup>2</sup>	7.51%	-9.90%	6.06%	13.73%	13.97%	13.49%

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<sup>1, 2</sup>



## 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.

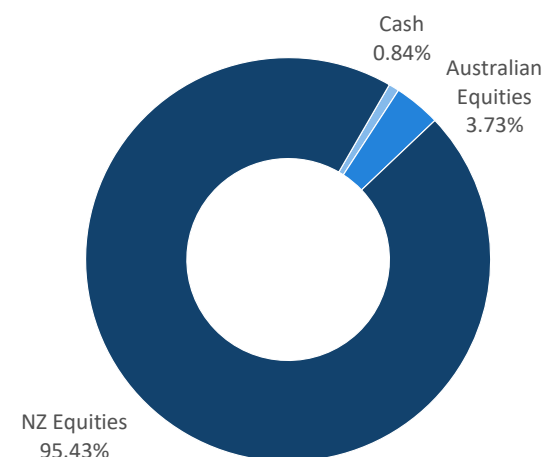
## Overview

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	
Fisher & Paykel Healthcare	UW	Sky City Entertainment	NH	Health Care	22.37%	24.85%
Precinct Properties	NH	Ryman Healthcare	UW	Consumer Staples	19.86%	15.30%
Infratil	OW	Air New Zealand	NH	Utilities	18.87%	17.52%
OW: overweight; UW: underweight; NH: no holding at month end position				Communication Services	13.92%	10.65%
Top 10 Holdings				Industrials	8.05%	13.54%
The A2 Milk Company	16.44%	Infratil	5.09%	Real Estate	6.33%	8.83%
Fisher & Paykel Healthcare	13.36%	Auckland Int. Airport	4.88%	Materials	3.52%	2.87%
Spark New Zealand	9.64%	Chorus	4.15%	Information Technology	3.29%	1.12%
Contact Energy	7.12%	EBOS Group	4.11%	Consumer Discretionary	1.74%	2.39%
Meridian Energy	5.69%	Fletcher Building	3.36%	Energy	1.20%	1.31%
			<b>Number of holdings fund</b>	Cash	0.85%	0.00%
				Financials	0.00%	1.62%

## Market Commentary

Equity markets continue to experience immense volatility although it appears that the most erratic sessions have abated to an extent. This is evidenced by one particularly pertinent indicator, the VIX volatility index, which has moved lower accordingly. The market in aggregate continues to weigh up the negative health and economic impacts of COVID-19 against potential timing for opening up of developed world economies, alongside the monetary and fiscal response from governments and central banks. Through April a number of Australasian companies raised equity, expanded bank loan facilities, cancelled dividends and suspended earnings guidance due to the uncertain outlook.

The April NZX50 performance was exceptionally strong, producing a 7.5% return. While we may have become accustomed to large directional moves of late, this one was noteworthy in it being only the third time in twenty years that the index has performed this well over a one month period. Nevertheless, it must still be viewed in respect to the significant drawdown over the preceding month. Another market feature that persists relates to the dispersion of stock specific returns.

## Fund Commentary

The fund ended the month up 7.75%. On positions that added relative value, **Fisher & Paykel Healthcare** (FPH), following its very strong performance as a Covid-19 beneficiary, gave up 9.8% in April against the strong index as general concern eased. Precinct Properties (PCT) had held up well through the March but eventually fell, dropping 6.7% in April. **Infratil** (IFT) rose 17.7% in April, assisted by positive news flow regarding key portfolio companies, allowing it to recover its underperformance compared to the index from March. Positions that detracted relative value included, after heavy falls in March, **Ryman Healthcare** (RYM) up 17.6%, Sky City Entertainment (SKC) up 42.3% and Air New Zealand (AIR) up 58.2% all had strong returns in April on no specific news beyond easing Covid-concerns.

Key portfolio changes during the month included participating in the capital raisings of **NextDC**, **Ingenia Communities**, **Investore Property** and **Auckland International Airport**. Furthermore, we increased the fund's positions in **Restaurant Brands**, **Eroad**, **Fletcher Building**, **EBOS** and **Scales**, while reducing **Sanford** and **APN Industria**. (Bold denotes stocks held in the portfolio)

## Key Fund Facts

<b>Distributions</b>	<b>Estimated annual fund charges</b>		
Calendar quarter.	Wholesale: negotiated outside of fund		
<b>Hedging</b>	<b>Buy / Sell spread:</b>	<b>Strategy Launch Date</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%	January 2008	\$65.7m

## Compliance

The 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 fund, please refer to our Product Disclosure Statement on [nikkoam.co.nz](http://nikkoam.co.nz).