

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 continued to recover some of the losses incurred in March with May backing up April's strong performance as investors weighed health and economic impacts of COVID-19.
- The United States S&P 500 index rose 4.5%, the Japanese Nikkei 225 index was up 8.3%, the UK FTSE 100 index gained 3.0%, the Australian ASX 200 index increased 4.6% and the MSCI World index ended the month up 4.5%.
- The S&P/NZX 50 index rose 3.3%.

Fund Highlights

- The fund ended the month up 2.5%, 82 basis points (bps) behind the index.
- Overweight positions in Pushpay Holdings and Ingenia Communities and a nil holding in Goodman Property Trust added value. Overweight positions in New Zealand Refining, Z Energy, and A2 Milk detracted from value.
- The fund participated in the capital raisings of Z Energy and Sky Network Television.

Performance

| | One month | Three months | One year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale ¹ | 2.51% | -2.95% | 6.97% | 14.77% | 15.02% | 15.08% |
| Benchmark ² | 3.33% | -3.16% | 8.40% | 14.75% | 14.50% | 14.91% |
| Retail ³ | 2.43% | -3.12% | 5.74% | 13.36% | 13.61% | 13.67% |
| KiwiSaver ³ | 2.42% | -3.13% | 6.14% | | | |

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^{1, 2}



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.

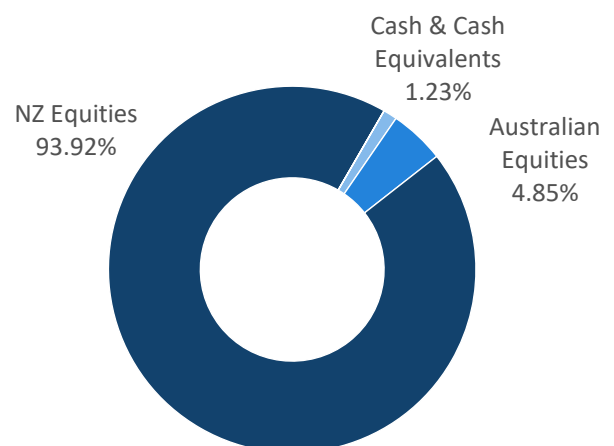
Overview

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: | |
| Pushpay Holdings | OW | New Zealand Refining | OW |
| Ingenia Communities | OW | Z Energy | OW |
| Goodman Property Trust | NH | The A2 Milk Company | OW |
| Top 10 Holdings | | | |
| The A2 Milk Company | 15.07% | Meridian Energy | 5.38% |
| Fisher & Paykel Healthcare | 14.42% | Auckland Intl. Airport | 4.90% |
| Spark New Zealand | 10.50% | Mainfreight | 4.15% |
| Contact Energy | 7.56% | Summerset Group | 3.86% |
| Infratil | 6.69% | Z Energy | 3.08% |
| Number of holdings | | | 32 |

| Sector Allocation | Fund | Benchmark |
|------------------------|--------|-----------|
| Health Care | 22.30% | 25.33% |
| Utilities | 21.48% | 17.38% |
| Consumer Staples | 17.04% | 14.31% |
| Communication Services | 11.44% | 10.53% |
| Industrials | 9.05% | 13.96% |
| Information Technology | 3.95% | 1.72% |
| Energy | 3.92% | 1.38% |
| Materials | 3.31% | 2.62% |
| Real Estate | 3.23% | 8.76% |
| Consumer Discretionary | 3.05% | 2.32% |
| Cash | 1.23% | 0.00% |
| Financials | 0.00% | 1.70% |

Market Commentary

Equity markets continued to recover some of the losses incurred in March with May backing up April's strong performance as investors weighed 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. The New Zealand government announced a large fiscal package to help stimulate the economy in response to COVID-19 impacts as part of its budget. Companies, both domestically and abroad, continued to raise equity and cancel or reduce dividends as earnings were impacted from the reduced economic activity. New Zealand continues to become less restricted as virus cases have reduced.

Fund Commentary

The fund ended the month up 2.5%, 82 bps behind the index return of 3.3%. The largest positive contributors to relative return were overweight positions in **Pushpay Holdings** (PPH) and **Ingenia Communities** (INA) and nil holding in Goodman Property Trust (GMT). PPH rose 77.3% after announcing a good earnings result but more importantly a strong outlook for the year ahead. INA provided a positive earnings update and announced two further acquisitions. GMT fell 2.4% after changing its payout policy which will see distributions reduced going forward. The largest negative contributors to relative return were overweight positions **New Zealand Refining** (NZR), **Z Energy** (ZEL) and **A2 Milk** (ATM). NZR continues to struggle with reduced demand for refined product impacting on margins but was also removed from an MSCI index which result in a large number of shares needing to be sold by investors. NZR fell 23.9% over the month. ZEL, down 9.0%, raised \$350 million early in the month to support its balance sheet following a large reduction in revenue due to people being forced to stay at home during April. ATM fell over the month without any stock specific news but perhaps hurt by USA China / Australia China tensions.

Key portfolio changes during the month included increasing positions in ZEL and SKT through their respective equity raisings. The portfolio also increased its position in INA while reducing the position in ATM.

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

Key Fund Facts

| | | | |
|---|--|------------------------------------|------------------------|
| Distributions | Estimated annual fund charges (incl. GST) | | |
| Wholesale fund: Calendar quarter | Wholesale: | Negotiated outside of fund | |
| Retail fund: March and September | Retail: | 0.95%, refer PDS for more details | |
| KiwiSaver fund: Does not distribute | KiwiSaver: | 0.95%, refer PDS for more details. | |
| Hedging | Buy / Sell spread | Strategy size | Strategy Launch |
| 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% | \$435.2m | October 2007 |

Compliance

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

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