

Factsheet 31 May 2020

NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

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 4.4% 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 3.5%, 16 basis points ahead of the index.
- Overweight positions in Pushpay Holdings, APN Industria and Ingenia Communities added value. Overweight positions in A2 Milk, Eroad and Contact Energy detracted from value.
- The fund participated in the capital raisings of Z Energy and Sky Network Television.

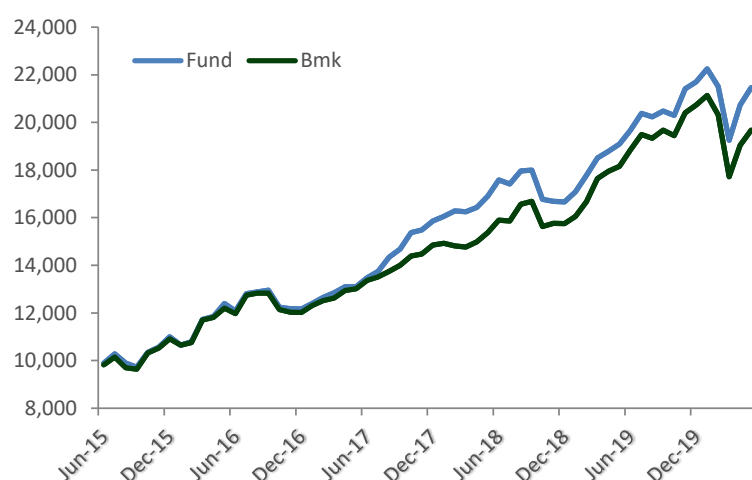
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	3.49%	-0.21%	12.38%	17.87%	16.50%	15.54%
Benchmark ²	3.33%	-3.16%	8.40%	14.75%	14.50%	14.67%

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.

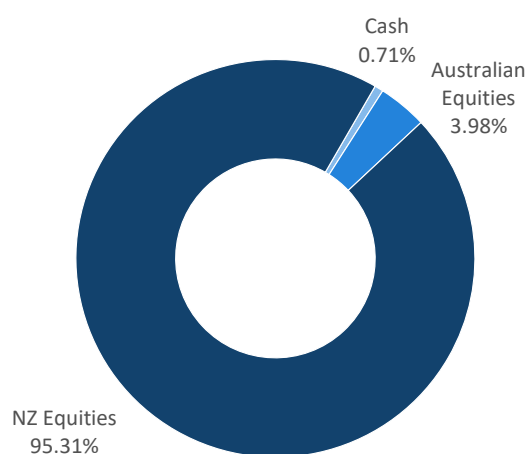
Overview

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	
Pushpay Holdings	OW	The A2 Milk Company	OW	Health Care	22.19%	25.33%
APN Industria Reit	OW	Eroad	OW	Utilities	19.36%	17.38%
Ingenia Communities	OW	Contact Energy	OW	Consumer Staples	17.98%	14.31%
OW: overweight; UW: underweight; NH: no holding at month end position				Communication Services	12.79%	10.53%
Top 10 Holdings				Industrials	9.54%	13.96%
The A2 Milk Company	14.78%	Infratil	5.46%	Real Estate	6.75%	8.76%
Fisher & Paykel Healthcare	14.13%	Auckland Int. Airport	5.44%	Information Technology	4.12%	1.72%
Spark New Zealand	9.14%	Mainfreight	4.10%	Materials	2.62%	2.62%
Contact Energy	6.01%	EBOS Group	3.41%	Energy	2.29%	1.38%
Meridian Energy	5.72%	Chorus	3.38%	Consumer Discretionary	1.63%	2.32%
			Number of holdings fund	Cash	0.72%	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 3.5%. The largest positive contributors to relative return were overweight positions in **Pushpay Holdings** (PPH), **APN Industria Reit** (ADI) and **Ingenia Communities** (INA). PPH rose 77.3% after announcing a good earnings result but more importantly a strong outlook for the year ahead. ADI delivered a 20.2% return due to a return of confidence to the industrial segment of the Australian REIT sector, following a sell-off. INA provided a positive earnings update and announced two further acquisitions. The largest negative contributors to relative return were overweight positions in **A2 Milk** (ATM), **Eroad** (ERD) and **Contact Energy** (CEN). ATM was down 3.2% as geopolitical issues impacted sentiment. ERD fell 13.7% on ongoing uncertainty around their US business and Covid-19 disruption. CEN was down 1.3% on a weaker than expected operating report.

Key portfolio changes during the month included increasing positions in **Mainfreight** (MFT), **Z Energy** (ZEL) and **Sky Network Television** (SKT), while reducing positions in ATM, **Chorus** (CNU) and **Contact Energy** (CEN). (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	\$68.0m

Compliance

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

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