

# 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 bounced back strongly in the June quarter and recovered the losses incurred in March as investors weighed health and economic impacts of COVID-19.
- The United States S&P 500 index rose 20.0%, the Japanese Nikkei 225 index was up 17.8%, the UK FTSE 100 index gained 8.8%, the Australian ASX 200 index increased 16.5% and the MSCI World index ended the month up 17.9%.
- The S&P/NZX 50 index performed roughly in line with other markets, up 16.9% for the quarter.

## Fund Highlights

- The fund ended the quarter up 16.8%, in line with the index.
- An overweight position in Pushpay Holdings and underweight positions in Goodman Property Trust and Precinct Properties added value. Positions in Sky City Entertainment and Ryman Healthcare and an overweight position in Z Energy detracted from value.
- The fund participated in the capital raisings of Investore Property, Vista Group, Auckland International Airport, Z Energy, Sky City Entertainment and Sky Network Television.

## Performance

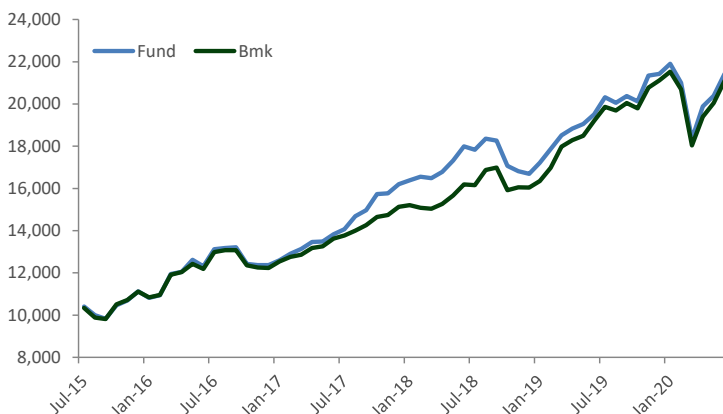
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	5.11%	16.78%	9.84%	15.70%	16.46%	16.08%
Benchmark <sup>2</sup>	5.26%	16.93%	9.85%	15.70%	16.10%	15.83%
Retail <sup>3</sup>	5.06%	16.49%	8.61%	14.34%	15.04%	14.65%
KiwiSaver <sup>3</sup>	5.06%	16.52%	8.94%			

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.

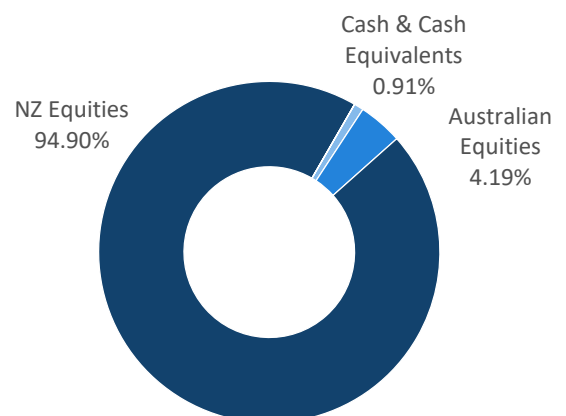
## Overview

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 (quarter)			
What Helped:		What Hurt:	
Pushpay Holdings	OW	Z Energy	OW
Goodman Property Trust	NH	Ryman Healthcare	UW
Precinct Properties	NH	Sky City Entertainment	UW
Top 10 Holdings			
Fisher & Paykel Healthcare	16.66%	Auckland Intl. Airport	5.64%
The A2 Milk Company	14.33%	Meridian Energy	5.25%
Spark New Zealand	10.12%	Summerset Group	4.09%
Contact Energy	6.75%	Mainfreight	3.96%
Infratil	6.19%	Z Energy	3.24%
Number of holdings			32

Sector Allocation	Fund	Benchmark
Health Care	24.84%	27.36%
Utilities	20.00%	16.66%
Consumer Staples	16.11%	14.26%
Communication Services	11.04%	10.06%
Industrials	9.60%	13.87%
Energy	4.08%	1.25%
Consumer Discretionary	3.98%	2.29%
Materials	3.29%	2.57%
Real Estate	3.13%	8.24%
Information Technology	3.02%	1.75%
Cash	0.91%	0.00%
Financials	0.00%	1.69%

## Market Commentary

Equity markets around the globe had a strong June quarter and recovered a lot of the losses incurred in March 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 ended the quarter with effectively no restrictions other than international travel as community transmission of COVID-19 was eliminated and with the increased economic activity comes more certainty for a number of companies and investors.

## Fund Commentary

The fund ended the quarter up 16.8% behind the index return of 16.9%. The largest positive contributors to relative return were an overweight position in **Pushpay Holdings** (PPH) and nil holdings in Goodman Property Trust (GMT) and Precinct Properties (PCT). PPH rose 159.3% after announcing a good earnings result but more importantly a strong outlook for the year ahead. GMT fell 4.5% after changing its payout policy which will see distributions reduced going forward. PCT fell 6.8% as investors became concerned about what working from home would do to future office space demand and rental growth.

The largest negative contributors to relative return was an overweight position in **Z Energy** (ZEL) and positions in **Sky City Entertainment** (SKC) and **Ryman Healthcare** (RYM). ZEL, down 6.6%, raised \$350 million during the quarter to support its balance sheet following a large reduction in revenue due to people being forced to stay at home during April. SKC, which raised \$230 million to strengthen its balance sheet, rose 27.8% as it benefited from the removal of restrictions on movement allowing customers back into the casino and related properties. RYM recovered a lot of its March quarter fall, ending the quarter up 28.2%

Key portfolio changes during the quarter included adding to **Auckland International Airport** (AIA), ZEL, SKC and **Sky Network Television** (SKT) and **Infratil** (IFT) through their respective equity raisings while reducing positions in PPH, **Contact Energy** (CEN) and **Infratil** (IFT). The fund's position in Oceania Healthcare (OCA) was divested after jumping during the quarter as it was added to the MSCI small cap index which resulted in large buying. (**Bold** denotes stocks held in the portfolio)

## Key Fund Facts

### Distributions

Wholesale fund:	Calendar quarter
Retail fund:	March and September
KiwiSaver fund:	Does not distribute

### Estimated annual fund charges (incl. GST)

Wholesale:	Negotiated outside of fund
Retail:	0.95%, refer PDS for more details
KiwiSaver:	0.95%, refer PDS for more details.

### Hedging

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.

### Buy / Sell spread

0.29% / 0.29%

### Strategy size

\$434.3m

### Strategy Launch

October 2007

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

## Contact Us

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