

Factsheet 30 June 2020

# NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

## 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 produced a positive 17.3% absolute return for the quarter.
- An overweight position in Pushpay Holdings and nil holdings in Goodman Property Trust and Precinct Properties added value. Underweight positions in Ryman Healthcare and overweight positions in Z Energy and EBOS detracted from value.
- The fund participated in the capital raisings of Investore Property, Auckland International Airport, Z Energy and Sky Network Television, Infratil, EBOS, Ingenia, Next DC.

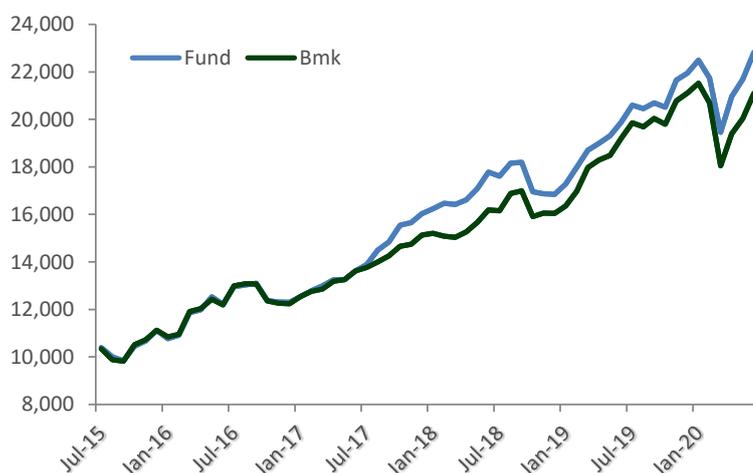
## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	5.18%	17.30%	14.76%	18.77%	17.94%	16.56%
Benchmark <sup>2</sup>	5.26%	16.93%	9.85%	15.70%	16.10%	15.60%

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.

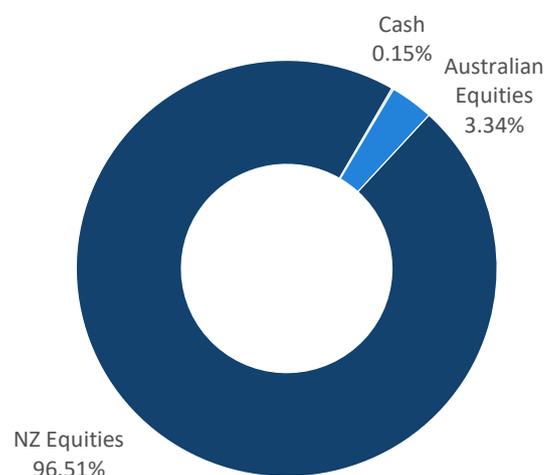
## Overview

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	
Pushpay Holdings	OW	Ryman Healthcare	UW	Health Care	25.32%	27.36%
Goodman Property	NH	Z Energy	OW	Utilities	19.02%	16.66%
Precinct Properties	NH	EBOS	OW	Consumer Staples	16.72%	14.26%
OW: overweight; UW: underweight; NH: no holding at month end position				Communication Services	11.92%	10.06%
Top 10 Holdings				Industrials	9.95%	13.87%
Fisher & Paykel Healthcare	16.71%	Meridian Energy	5.54%	Real Estate	5.97%	8.24%
The A2 Milk Company	14.10%	Contact Energy	5.43%	Information Technology	3.52%	1.75%
Spark New Zealand	8.61%	Mainfreight	3.97%	Materials	2.65%	2.57%
Auckland Int. Airport	5.98%	EBOS Group	3.07%	Energy	2.95%	1.25%
Infratil	5.89%	Z Energy	2.95%	Consumer Discretionary	1.84%	2.29%
				Cash	0.14%	0.00%
				Financials	0.00%	1.69%
				<b>Number of holdings fund</b>	<b>31</b>	

## Market Commentary

Global equity markets produced a very strong June quarter, recouping a significant portion of the losses incurred in March. This included the US +20% delivering their best quarter since 1998, while our local market, up 16.9%, pushed performance to reach even for the year so far. Of note however, only 9 stocks in the NZX 50 produced positive returns over the YTD period, highlighting the acute return diversion occurring among listed stocks.

Over the period, focus centred on assessing generally better-than-estimated economic data amid concern over new coronavirus cases, geopolitical tensions and trade relations with China. Companies domestically and abroad continued to raise equity and cancel or reduce dividends to safeguard them from current or expected financial stress. Notwithstanding the unease prevalent, equity markets still enjoyed ongoing support. This will be partly due to the collective monetary and fiscal response from governments and central banks around the world, which has been truly incredible in size and scope. This backing has continued to evolve and expand to counter the adverse impacts from the crises. 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. Possible scope for further stimulus exists in NZ and the US as the political cycle runs into respective elections.

## Fund Commentary

The fund produced a positive 17.3% absolute return for the quarter. The largest positive relative returns were from 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 relative returns were from an underweight position in **Ryman Healthcare** (RYM), overweight positions in **Z Energy** (ZEL) and **EBOS** (EBO). RYM recovered a lot of its March quarter fall, ending the quarter up 28.2%. ZEL, down 6.6% raised \$350 million during the quarter to support its balance sheet following a large reduction in revenue due to demand destruction in April as Kiwis were forced to stay at home during April as part of Covid-19 response. EBO fell -3.09% over the quarter with a large line of stock being sold in market by their largest shareholder, providing a headwind over the period. Key portfolio changes during the quarter included the fund participating in the capital raisings of **Investore Property**, **Auckland International Airport**, **Z Energy** and **Sky Network Television**, **Infratil**, **EBOS**, **Ingenia**, **Next DC**. Also meaningful increases in **Mercury** (MCY), **Restaurant Brands** (RBD), **Eroad** (ERD), **Stride** (SGR), **Metlifecare** (MET), **Mainfreight** (MFT). In addition to meaningful decreases in **Orocobre** (ORE), **Pushpay** (PPH), **Ingenia** (INA) and **APN Industria REIT** (ADI). (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	\$71.1m

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

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