

Factsheet 31 July 2020

# 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 from the hit they took in March with several, including New Zealand now in positive territory year to date.
- The United States S&P 500 index rose 5.5%, the Japanese Nikkei 225 index was down 2.6%, the UK FTSE 100 index lost 4.4%, the Australian ASX 200 index increased 0.5% and the MSCI World index ended the month up 4.0%.
- The S&P/NZX 50 index performed well, ending the month up 2.5%.

## Fund Highlights

- The fund ended the month up 3.5%, 1.0% ahead of the index.
- Overweight positions in Summerset, Orocobre, Mainfreight and Spark added value.
- Overweight positions in Sky Network Television and Contact Energy and nil holding in Goodman Property and Precinct Properties detracted from value.

## Performance

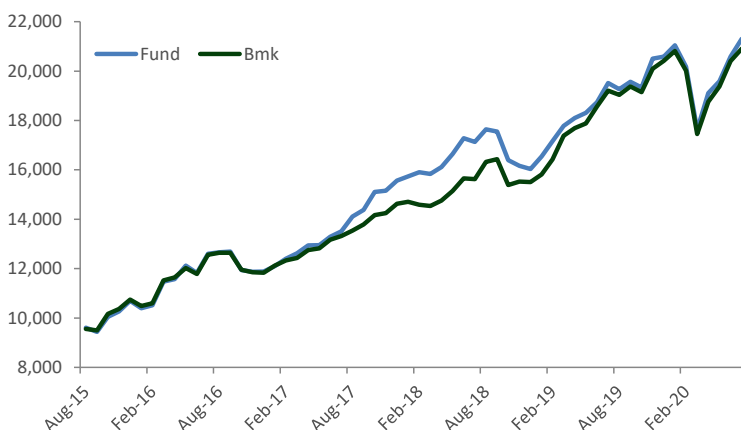
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	3.49%	11.50%	9.15%	16.39%	16.33%	16.18%
Benchmark <sup>2</sup>	2.45%	11.43%	8.84%	16.21%	15.89%	15.87%
Retail <sup>3</sup>	3.39%	11.26%	8.16%	15.03%	14.92%	14.75%
KiwiSaver <sup>3</sup>	3.40%	11.26%	8.38%			

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**



Responsible for the Domestic Equities team and managing the Core Fund and associated mandates. Covers the Industrials, Healthcare and Financials sectors. Twenty years of experience in all aspects of the investment management industry with a strong track record in portfolio management of both benchmark relative and high conviction funds. Joined 2014.

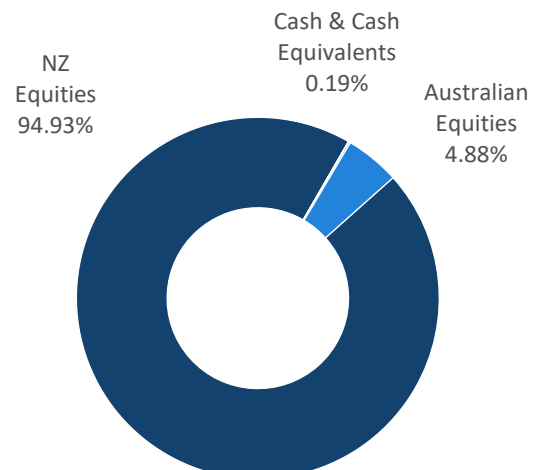
## Overview

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:	
Summerset Group	OW	Contact Energy	OW
Orocobre	OW	Goodman Property	NH
Mainfreight	OW	Precinct Properties	UW
Top 10 Holdings			
Fisher & Paykel Healthcare	16.69%	Auckland Intl. Airport	5.64%
The A2 Milk Company	14.16%	Meridian Energy	4.80%
Spark New Zealand	10.36%	Mainfreight	4.57%
Contact Energy	6.04%	Summerset Group	4.36%
Infratil	5.97%	Z Energy	3.28%
<b>Number of holdings</b>			<b>32</b>

Sector Allocation	Fund	Benchmark
Health Care	25.62%	27.52%
Utilities	18.59%	16.14%
Consumer Staples	15.97%	14.37%
Communication Services	11.15%	10.36%
Industrials	10.21%	13.91%
Energy	4.08%	1.27%
Consumer Discretionary	3.92%	2.30%
Real Estate	3.69%	8.63%
Information Technology	3.38%	1.54%
Materials	3.20%	2.30%
Cash	0.19%	0.00%
Financials	0.00%	1.66%

## Market Commentary

Equity markets continued to recover from the hit they took in March with several, including New Zealand now in positive territory year to date. Markets in general seem to be looking through the economic impact from COVID-19 with low interest rates leading investors to look for higher returns in equity markets. A number of companies will be reporting their results for the period ending June during August which will provide some insight into recent trading and their confidence in the near term outlook. During July the New Zealand electricity sector was surprised by the New Zealand Aluminium Smelter announcing they would close in August 2021, the shortest notice period they are allowed. Looking forward, investors will start to focus on upcoming elections, both in New Zealand and the United States and policies being announced that might impact on sectors, stocks and opinion polls as to who is likely to be governing later in the year.

## Fund Commentary

The fund ended the month up 3.5%, 1.0% ahead of the index return of 2.5%. Positive contributors to relative return were overweight positions in **Summerset (SUM)**, **Orocobre (ORE)** and **Mainfreight (MFT)** and **Spark (SPK)**. SUM rose 21.5% over the month after announcing good sales numbers for the June quarter and investors became more optimistic around the outlook for house prices. SPK continues to benefit from its relatively defensive earnings and attractive dividend yield and ended the month up 8.1%. Mainfreight provided a very strong trading update at their ASM.

The largest negative contributors to relative return were overweight positions in **Contact Energy (CEN)**, **Sky Network Television (SKT)** and nil holdings in Goodman Property (GMT) and Precinct Properties (PCT). SKT fell 14% as the market continues to digest the large number of shares issued under its capital raising in June. CEN, impacted by the aluminium smelter closure notice, lost 6.7% while GMT and PCT recovered from a few weak months rallying ~ 9.4%.

Key portfolio changes during the month included adding to **Auckland International Airport (AIA)** and **Fisher & Paykel Healthcare (FPH)** to reduce the fund's underweight positions in the stocks. The fund also participated in the sell down in **Pushpay Holdings (PPH)** from an existing holder. Relatively small reductions in SPK, **Infratil (IFT)** and **A2 Milk (ATM)** were made during the month.

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

## Key Fund Facts

<b>Distributions</b>		<b>Estimated annual fund charges (incl. GST)</b>		
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.	
<b>Hedging</b>		<b>Buy / Sell spread</b>	<b>Strategy size</b>	<b>Strategy Launch</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%	\$447.2m	October 2007

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

## Contact Us

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