

# 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

- Supported by low interest rates, equity markets globally had a strong performance during the month and somewhat ignored the health and economic impacts from COVID-19.
- The United States S&P 500 index rose 7.0%, the Japanese Nikkei 225 index was up 6.6%, the UK FTSE 100 index added 1.1%, the Australian ASX 200 index increased 2.8% and the MSCI World index ended the month up 6.1%.
- The S&P/NZX 50 index was a relative underperformer versus the world albeit ended the month up 1.8%.

## Fund Highlights

- The fund ended the month up 1.4%, 0.4% behind the index.
- News flow was high during the month with a number of the fund's holdings reporting earnings for the period ended June.
- Overweight positions in Contact Energy, Summerset and EROAD added value. Overweight positions in A2 Milk and Z Energy and an underweight position in Chorus detracted from value.

## Performance

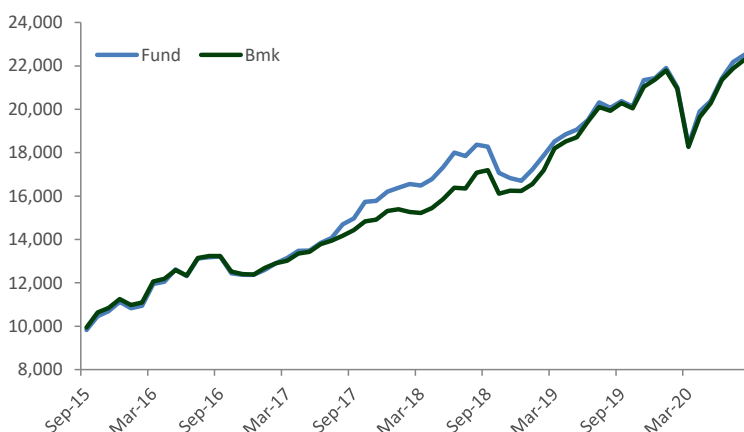
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	1.45%	10.36%	12.16%	15.27%	17.61%	16.43%
Benchmark <sup>2</sup>	1.82%	9.81%	11.77%	16.27%	17.37%	16.07%
Retail <sup>3</sup>	1.38%	10.12%	11.15%	14.01%	16.20%	15.00%
KiwiSaver <sup>3</sup>	1.38%	10.13%	11.30%			

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.

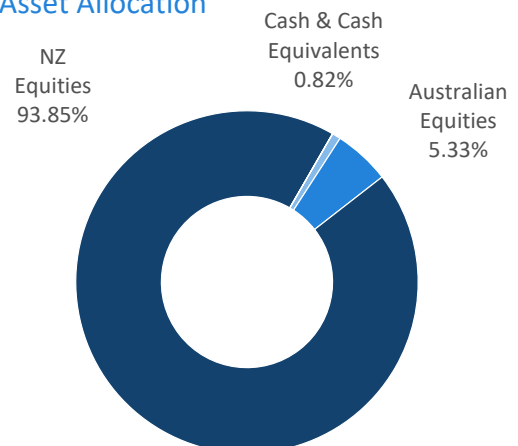
## Overview

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	Chorus	UW
Contact Energy	OW	The A2 Milk Company	OW
EROAD	OW	Z Energy	OW
Top 10 Holdings			
Fisher & Paykel Healthcare	17.03%	Infratil	5.34%
The A2 Milk Company	13.03%	Meridian Energy	4.95%
Spark New Zealand	10.01%	Summerset Group	4.74%
Contact Energy	6.38%	Mainfreight	4.62%
Auckland Intl. Airport	5.40%	EBOS Group	3.25%
<b>Number of holdings</b>			<b>31</b>

Sector Allocation	Fund	Benchmark
Health Care	26.18%	27.84%
Utilities	19.04%	16.86%
Consumer Staples	14.64%	12.70%
Communication Services	10.85%	10.42%
Industrials	10.01%	14.08%
Real Estate	4.43%	8.75%
Information Technology	3.87%	1.75%
Consumer Discretionary	3.85%	2.35%
Energy	3.82%	1.19%
Materials	2.49%	2.40%
Cash	0.82%	0.00%
Financials	0.00%	1.66%

## Market Commentary

Supported by low interest rates, equity markets globally had a strong performance during the month and somewhat ignored the health and economic impacts from COVID-19. A number of companies reported their earnings results for the period ended June during the month. As expected, results were heavily impacted by the lockdown earlier in the year while outlook statements were very uncertain, more so as the country went back into lockdown during the month. As a result of the new lockdown the New Zealand election has been postponed from September to October.

## Fund Commentary

The fund ended the month up 1.4%, 0.4% behind the index return of 1.8%. The largest positive contributors to relative return were overweight positions in **Summerset** (SUM), **Contact Energy** (CEN) and **EROAD** (ERD). CEN recovered from its loss in July, rising 11.9% in August as the market digested the potential that the NZ Aluminium Smelter may push out its closure date. SUM rose 11.0% as it delivered a stronger than guided and expected earnings result while ERD rose 23.2% following a supportive research report from a broker.

The largest negative contributors to relative return was an overweight positions in **A2 Milk** (ATM) and **Z Energy** (ZEL) and an underweight position in **Chorus** (CNU). Despite reporting strong earnings growth, ATM's result was a touch lower than market expectations and was also impacted by an MSCI index down weight at the end of the month. ATM fell 10.8% over the month. ZEL, down 4.6%, reported strong operating data but the stock was impacted by New Zealand moving back into COVID-19 related restrictions. CNU rose 13.5% as the market started to assess its ability to grow dividends in future years and value its high dividend yield potential.

Key portfolio changes during the month included adding to **Mercury Energy** (MCY), **Fisher & Paykel Healthcare** (FPH) and **Ryman Healthcare** to reduce the fund's underweight positions. The fund's overweight position in ATM, **Next DC** (NXT) and **Waypoint REIT** (WPR) were added to. Relatively small reductions were made to **Infratil** (IFT), **Fletcher Building** (FBU), **Orocobre** (ORE), **Aristocrat Leisure** (ALL) and **Auckland International Airport** (AIA). The funds holding in Metlifecare (MET) was divested.

(**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%	\$453.3m	October 2007

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

## Contact Us

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