

# 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

- Globally, most equity markets struggled in October as COVID-19 case numbers increased in Europe and parts of the United States.
- The United States S&P 500 index fell 2.8%, the Japanese Nikkei 225 index lost 0.9%, the UK FTSE 100 index declined 4.9% while the Australian ASX 200 index rose 1.9%. The MSCI World index ended the month down 2.5%
- The S&P/NZX 50 index performed well relative to the world and ended the month up 2.9%.
- News flow was relatively light over the month ahead of November when a number of companies will report their earnings for the period ending September.

## Fund Highlights

- The fund ended the month up 2.92%, marginally ahead of the index.
- Summerset announced strong sales numbers for the September quarter.
- Overweight positions in Summerset, Mainfreight and Contact Energy added value.
- Overweight positions in Spark and A2 Milk and an underweight position in Kiwi Property Group detracted from value.

## Performance

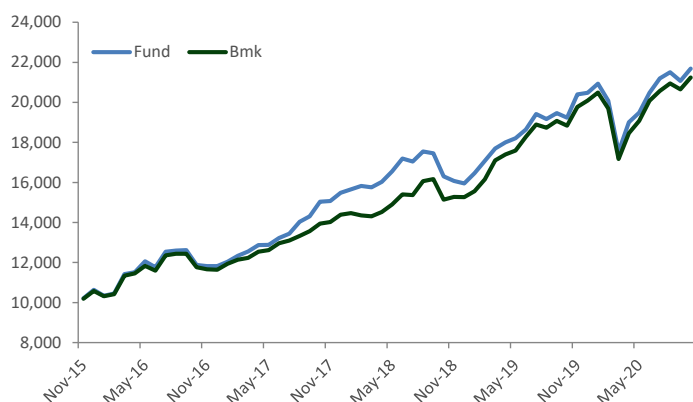
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	2.92%	2.33%	12.75%	12.99%	16.74%	15.58%
Benchmark <sup>2</sup>	2.87%	3.28%	12.74%	15.06%	16.26%	15.21%
Retail <sup>3</sup>	2.89%	2.16%	11.82%	11.79%	15.36%	14.15%
KiwiSaver <sup>3</sup>	2.84%	2.09%	11.79%			

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.

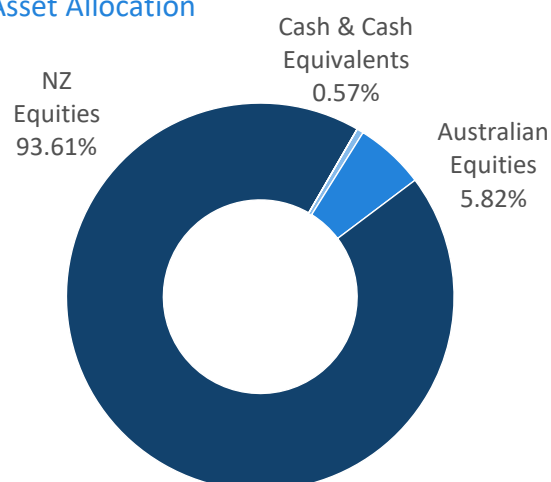
## Overview

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	Spark New Zealand	OW
Contact Energy	OW	Kiwi Property	UW
Mainfreight	OW	A2 Milk	OW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings			
Fisher & Paykel Healthcare	16.38%	Auckland International	5.53%
A2 Milk	10.18%	Meridian Energy	5.18%
Spark New Zealand	9.50%	Mainfreight Limited	5.01%
Contact Energy	7.72%	Infratil Limited	4.39%
Summerset Group Holdings	5.53%	EBOS Group Limited	3.29%
<b>Number of holdings</b>			<b>31</b>

Sector Allocation	Fund	Benchmark
Health Care	26.43%	27.30%
Utilities	20.24%	17.93%
Consumer Staples	11.76%	10.28%
Communication Services	11.27%	9.83%
Industrials	10.53%	14.93%
Real Estate	4.70%	9.34%
Information Technology	4.39%	2.12%
Energy	3.84%	1.18%
Consumer Discretionary	3.73%	2.63%
Materials	2.53%	2.71%
Cash	0.57%	0.00%
Financials	0.00%	1.75%

## Market Commentary

Globally, most equity markets struggled in October as COVID-19 case numbers increased in Europe and parts of the United States. Markets also were impacted by the United States failing to agree on fiscal stimulus plans. Closer to home the New Zealand election result saw the labour party win which was in line with expectations and therefore there was no market impact. Looking forward to November, the United States election will be the focus of markets. November will also see earnings results announced for the period ending 30 September.

## Fund Commentary

The fund ended the month up 2.92% and 0.05% ahead of the index return. The largest positive contributors to relative return were overweight positions in **Summerset** (SUM), **Contact Energy** (CEN) and **Mainfreight** (MFT). SUM rose 15.7% on the back of announcing strong sales numbers for the September quarter and is also being supported by the strong residential housing market. CEN rose 11.0% as the sector continues to bounce around on speculation whether the NZ Aluminium smelter will close or not. MFT rose 17% following early release of their first half earning result with earnings growth of ~23%.

The largest negative contributors to relative return were overweight positions in **Spark** (SPK) and **A2 Milk** (ATM) and an underweight position in **Kiwi Property** (KPG). SPK fell 4.5% over the month with some concern around the potential for intensifying competition in its broadband business. ATM fell 4.6% as the market continues to focus on short-term COVID-19 related disruption to one of its several sales channels to China. KPG announced a portfolio revaluation as at 30 September which showed capitalisation rates firming across its mixed-use, office and retail portfolios which provided relief to the market that valuations weren't declining any further, at least at the portfolio level. KPG rose 16.0% over the month.

There were no material changes made to the portfolio 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%	\$456.7m	October 2007

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

## Contact Us

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