

Factsheet 31 October 2020

# NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

## Market Overview

- Globally, most equity markets struggled in October as COVID-19 case numbers increased in Europe and parts of the United States.
- The MSCI World index ended the month down 2.5%.
- 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%.
- The S&P/NZX 50 index performed well relative to the world and ended the month up 2.9%, while the Australian ASX 200 index rose 1.9%.

## Fund Highlights

- The fund ended the month up 3.09%.
- Overweight positions in Summerset and Contact Energy, and a nil holding in restricted SkyCity added value.
- A nil holding in Kiwi Property Group and overweight positions in Spark NZ and A2 Milk detracted value.

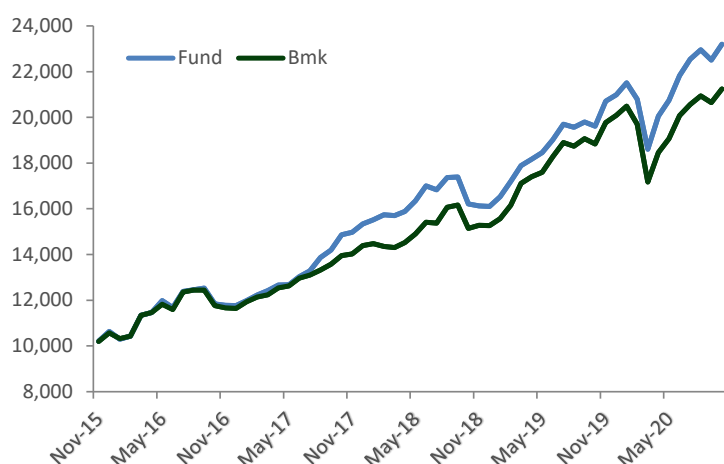
## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	3.09%	2.90%	18.27%	15.99%	18.33%	16.12%
Benchmark <sup>2</sup>	2.87%	3.28%	12.74%	15.06%	16.26%	15.03%

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**



Responsible for the SRI Equity Fund. Covers the Consumer Discretionary and Consumer Staples sectors. Over nine years of experience in the finance industry including ANZ Institutional Bank and Fortis Investments. Michael holds a First Class Honours degree in Industrial Economics from the University of Nottingham Business School, United Kingdom. Joined in 2012.

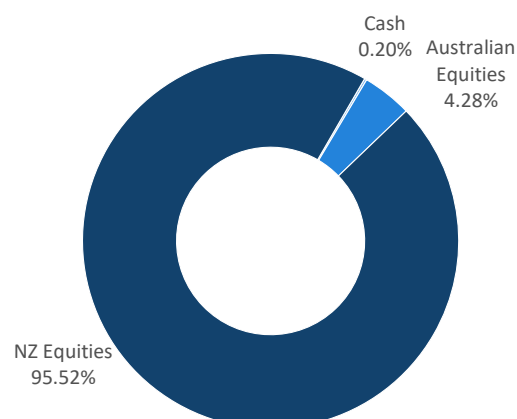
## Overview

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. The Fund excludes any company that derives more than 10% of its revenue from alcohol, pornography, gambling, tobacco and extraction of thermal coal and tar sands oil. There is a full ban on controversial weapons.

## 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	OW	Kiwi Property Group	NH
Contact Energy	OW	Spark New Zealand	OW
Mainfreight	OW	A2 Milk	OW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings			
Fisher & Paykel Healthcare	16.31%	Auckland Int. Airport	5.51%
A2 Milk	10.46%	Mainfreight	5.17%
Spark New Zealand	8.71%	Infratil	4.97%
Contact Energy	6.32%	Summerset Group	4.62%
Meridian Energy	5.85%	EBOS Group	3.59%
Number of holdings fund			29

Sector Allocation	Fund	Benchmark
Health Care	26.57%	27.06%
Utilities	19.99%	17.16%
Consumer Staples	12.77%	10.91%
Communication Services	12.47%	10.47%
Industrials	10.67%	14.92%
Real Estate	7.47%	2.85%
Information Technology	4.32%	1.17%
Energy	2.20%	2.13%
Consumer Discretionary	1.68%	9.03%
Materials	1.66%	2.61%
Cash	0.20%	0.00%
Financials	0.00%	1.69%

\*excludes restricted stocks

## 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 3.09%. The largest positive contributors to relative return were overweight positions in **Summerset** (SUM), **Contact Energy** (CEN) and a nil holding in restricted SkyCity (SKC). SUM rose 15.7% on the back of announcing strong sales numbers for the September quarter, against a positive residential housing market backdrop. CEN rose 11.0% as the sector continues to recover following the NZ Government stated intention to assist in extending the closure period of the NZ Aluminium smelter. **Mainfreight** (MFT) rose 17% following an early release of their first half earning result with earnings growth of ~23%.

The largest negative contributors to relative return were from a nil holding in Kiwi Property Group (KPG), and overweight positions in **Spark NZ** (SPK) and **A2 Milk** (ATM). KPG rose 16.0% over the month after announcing a portfolio revaluation as at 30 September which showed capitalisation rates firming across its mixed-use, office and retail portfolios. 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 its several sales channels to China.

Key portfolio changes over the period entail the divestment of Orocobre, and a meaningful reduction of the Pushpay position. In addition, meaningful increases in the Waypoint REIT and Summerset positions. (**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	\$69.7m

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

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