

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 globally were strong as news that COVID-19 vaccines trials were showing high success rates.
- The US' S&P 500 index rose 10.8%, the Japanese Nikkei 225 index gained 15.0%, the UK FTSE 100 index increased 12.4%, the Australian ASX 200 index added 10.2% and the MSCI World index ended the month up 12.4%.
- The S&P/NZX 50 index performed well but was not able to match the strength of most global markets and ended the month up 5.7%.

Fund Highlights

- The fund ended the month up 5.5%, 0.2% behind the index
- News flow was high during the month with a number of the fund's holdings reporting earnings for the period ended September or holding annual shareholder meetings.
- Stride Property raised \$180 million with at least another \$40 million to be raised by way of a share purchase plan with proceeds to be used to fund the acquisition of an office property.
- Underweight positions in Goodman Property and Chorus while an overweight in Z Energy added value. Underweight positions in Fletcher Building and Air New Zealand and overweight positions in NextDC and Pushpay detracted from value.

Performance

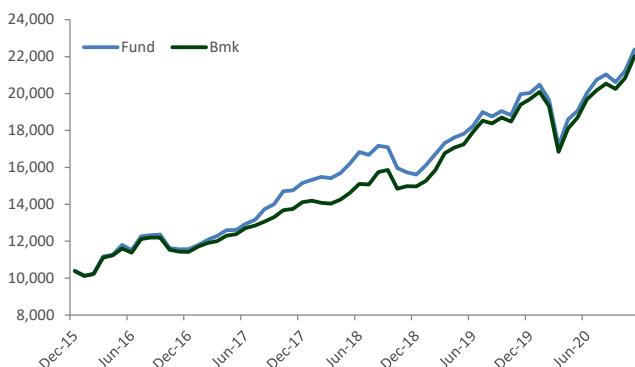
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	5.47%	6.37%	12.12%	14.91%	17.48%	16.64%
Benchmark ²	5.68%	7.19%	13.52%	16.98%	17.10%	15.97%
Retail ³	5.37%	6.18%	11.17%	13.75%	16.08%	15.19%
KiwiSaver ³	5.39%	6.13%	11.17%			

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^{1,2}



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.

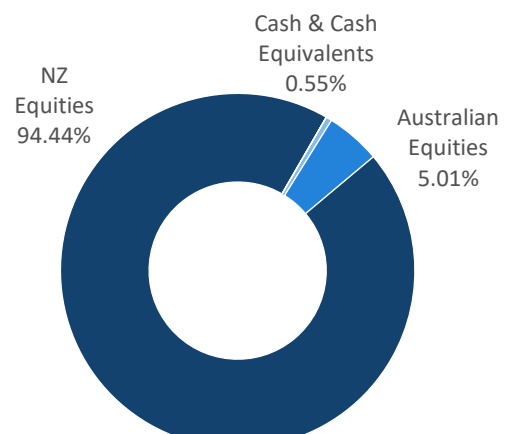
Overview

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:	
Goodman Property Trust	UW	Fletcher Building Ltd	UW
Z Energy Ltd	OW	NextDC Ltd	OW
Chorus Ltd	UW	PushPay Holdings	OW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings			
Fisher & Paykel Healthcare	16.37%	Meridian Energy	5.91%
A2 Milk	9.66%	Mainfreight Limited	5.45%
Spark New Zealand	9.09%	Summerset Group	5.12%
Contact Energy	7.17%	Infratil Limited	4.42%
Auckland International Ltd	6.44%	Z Energy Ltd	3.42%
Number of holdings			31

Sector Allocation	Fund	Benchmark
Health Care	26.38%	26.41%
Utilities	20.55%	18.96%
Industrials	11.90%	15.74%
Communication Services	11.17%	9.36%
Consumer Staples	10.51%	9.75%
Real Estate	4.64%	8.76%
Consumer Discretionary	4.13%	2.67%
Energy	4.03%	1.26%
Information Technology	3.79%	1.75%
Materials	2.27%	3.51%
Cash	0.55%	0.00%
Financials	0.08%	1.83%

Market Commentary

The major driver of markets during November was from encouraging releases from three COVID-19 vaccine manufacturers that their trials had shown high effectiveness rates. The US election was held in early November with a drawn out and contested result but ultimately the numbers have fallen in favour of Joe Biden which will see President Trump leave the White House in January. Earnings results for the period ending September were also released by a number of companies along with annual shareholder meetings for those that had June year ends. Results were somewhat of a mixed bag with the period being reported on impacted by COVID-19 restrictions while the likes of **Fletcher Building** (FBU) providing a better than expected trading update.

Fund Commentary

The fund ended the month up 5.5%, in-line with the index. The largest positive contributors to relative return were underweight positions in Goodman Property (GMT) and an overweight in **Z Energy** (ZEL). Property securities were impacted by investors raising cash to fund the **Stride Property** (SPG) capital raising with GMT and Kiwi Income Property both down ~3.2%. **ZEL** rose 12.7% after reporting a solid result for the half year and also providing better than expected guidance for their full year earnings.

The largest negative contributors to relative return were underweight positions in **FBU** and Air New Zealand (AIR). FBU rose 36.6% following its strong trading update and better than expected guidance for its half year earnings. AIR rose 28.2% as investors weighed up the potential opening of borders next year following the encouraging vaccine trial results. Overweight positions in **NextDC** (NXT) and **PushPay Holdings** (PPH). NXT was weak following the announcement of competitor land acquisitions in Sydney. PPH fell 22% as the market sold 'covid winners' and digested recent company announcements.

Key portfolio changes during the month included adding to **Auckland International Airport** (AIA), **Chorus** (CNU) and **Ryman Healthcare** (RYM). The fund also added to its position in **SPG** through its capital raising. The fund reduced positions in **Contact Energy** (CEN), FBU, **Infratil** (IFT) and **Meridian Energy** (MEL). The fund exited its position in Orocobre Limited (ORE)

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

Key Fund Facts

Distributions

Wholesale fund: Calendar quarter
Retail fund: March and September
KiwiSaver fund: Does not distribute

Estimated annual fund charges (incl. GST)

Wholesale: Negotiated outside of fund
Retail: 0.95%, refer PDS for more details
KiwiSaver: 0.95%, refer PDS for more details.

Hedging

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.

Buy / Sell spread

0.29% / 0.29%

Strategy size

\$484m

Strategy Launch

October 2007

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

Contact Us

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