

Factsheet 30 November 2020

NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

Market Overview

- Equity markets globally were strong as news that COVID-19 vaccine trials were showing high efficacy rates.
- The MSCI World index ended the month up 12.4%.
- The United States S&P 500 index rose 10.8%, the Japanese Nikkei 225 index gained 15.0%, the UK FTSE 100 index increased 12.4%.
- Locally, 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%. While the Australian ASX 200 index added 10.2%.

Fund Highlights

- The fund produced a strong positive 5.2% absolute return for the month, but lagged the benchmark slightly.
- An overweight position in Mainfreight, and nil holdings in Goodman Property and Kiwi Property Group added value.
- An underweight position in Fletcher Building, and overweight positions in Pushpay Holdings and NextDC detracted value.
- News flow was high during the month with a number of portfolio companies reporting earnings for the period ended September or holding annual shareholder meetings.

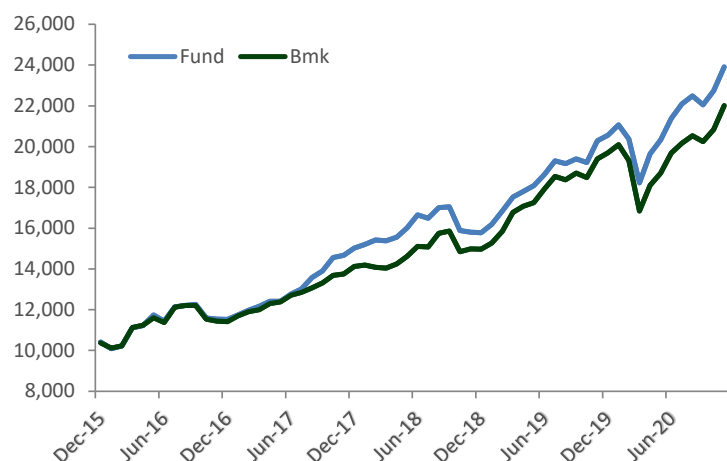
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	5.22%	6.35%	17.89%	17.70%	19.05%	17.22%
Benchmark ²	5.68%	7.19%	13.52%	16.98%	17.10%	15.81%

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^{1, 2}



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.

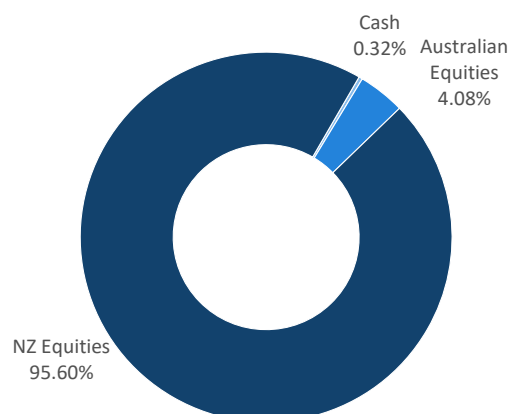
Overview

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:	
Mainfreight Ltd	OW	Fletcher Building Ltd	UW
Goodman Property	NH	PushPay Holdings Ltd	OW
Kiwi Property Group Ltd	NH	NextDC Ltd	OW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings			
Fisher & Paykel Healthcare	16.23%	Mainfreight Ltd	6.02%
A2 Milk	10.11%	Contact Energy Ltd	5.81%
Spark New Zealand	8.22%	Infratil	5.10%
Auckland Int. Airport	6.98%	Summerset Group	4.20%
Meridian Energy	6.45%	EBOS Group	3.52%
Number of holdings fund			32

Sector Allocation	Fund	Benchmark
Health Care	26.08%	26.41%
Utilities	20.06%	18.96%
Industrials	13.00%	15.74%
Communication Services	11.68%	9.36%
Consumer Staples	11.23%	9.75%
Real Estate	7.13%	8.76%
Information Technology	3.60%	1.75%
Energy	2.64%	1.26%
Materials	2.58%	3.51%
Consumer Discretionary	1.62%	2.67%
Cash	0.32%	0.00%
Financials	0.06%	1.83%

*excludes restricted stocks

Market Commentary

Encouraging updates from three COVID-19 vaccine manufacturers represented the major driver of markets during November. The market was very positively surprised by the much better than expected efficacy rates demonstrated in the trials. This is clearly great news however we still have some way left to go with the need for initial emergency, followed by general approval by relevant healthcare regulatory agencies such as the US FDA. Subsequently, vaccination challenges present in the form of manufacturing, distribution, storage and overall equitable allocations - both between countries and within countries. 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 who will take over at the White House from the 20th January 2021.

Fund Commentary

The fund produced a positive 5.2% absolute return for the month, marginally behind index.

The largest positive relative returns were from an overweight position in **Mainfreight (MFT)**, and nil holdings in Goodman Property and Kiwi Property Group. MFT increased 15.6% as it continues to see growth in its operations - despite ongoing disruption to its American and European operations from the pandemic. Property securities were impacted by investors using them as funders to raise cash required for the **Stride Property (SPG)** capital raising with GMT and KPG down 3.2% and 3.3% respectively.

The largest negative relative returns were from an underweight position in **Fletcher Building (FBU)**, and overweight positions in **Pushpay Holdings (PPH)** and **NextDC (NXT)**. FBU rose 36.6% following its strong trading update and better than expected guidance for its half year earnings. PPH fell 22% as the market sold 'COVID winners' and digested recent company announcements. NXT was weak following the announcement of a competitor's land acquisition in Sydney.

Key portfolio changes during the month included a new investment into **ANZ Banking Group (ANZ)** and participation in the SPG \$180 million raise. In addition, the fund increased several positions meaningfully, **Fletcher Building (FBU)**, **Auckland Airport** and **Z Energy**. The fund reduced several positions meaningfully, **Sanford (SAN)**, **Scales Corp (SCL)** and **Investore Property (IPL)**.

Bold denotes stocks held in the portfolio).

Key Fund Facts

Distributions	Estimated annual fund charges		
Calendar quarter.	Wholesale: negotiated outside of fund		
Hedging	Buy / Sell spread:	Strategy Launch Date	Strategy size
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	\$75.8m

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

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