

# 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 on news that COVID-19 vaccines trials were showing high success rates and were starting to be administered.
- The United States S&P 500 index rose 11.7%, the Japanese Nikkei 225 index gained 18.4%, the UK FTSE 100 index increased 10.1%, the Australian ASX 200 index added 13.7% and the MSCI World index ended the quarter up 12.8%.
- The S&P/NZX 50 index had a strong quarter, ending the period up 11.5%.

## Fund Highlights

- The fund ended the quarter up 11.6%, in line with the index.
- News flow was high during the quarter with several 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.
- Overweight positions in Summerset, Contact Energy and Mainfreight added value. Overweight positions A2 Milk and Spark and an underweight position in Fletcher Building detracted value.

## Performance

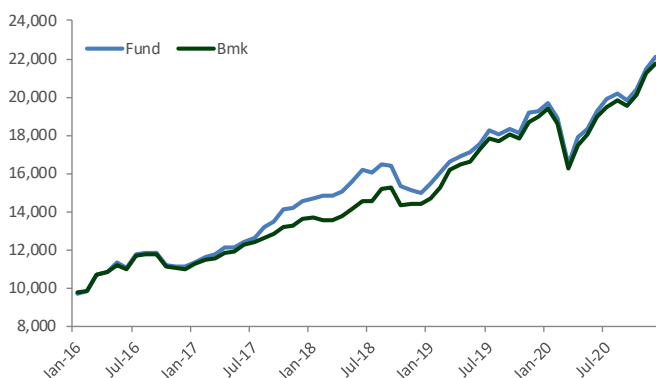
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	2.80%	11.59%	14.81%	14.94%	17.19%	16.61%
Benchmark <sup>2</sup>	2.58%	11.52%	14.62%	16.96%	16.84%	16.10%
Retail <sup>3</sup>	2.72%	11.36%	13.87%	13.76%	15.77%	15.17%
KiwiSaver <sup>3</sup>	2.74%	11.35%	13.85%			

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 and Concentrated Funds 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.

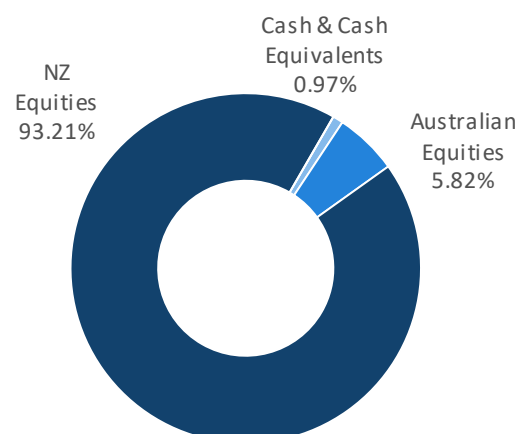
## Overview

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 (quarter)			
What Helped:		What Hurt:	
Summerset Group	OW	A2 Milk	OW
Contact Energy	OW	Fletcher Building	UW
Mainfreight	OW	Spark	OW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings			
Fisher & Paykel Healthcare	14.96%	Auckland International Ltd	6.25%
Spark New Zealand	8.80%	Mainfreight Limited	5.99%
A2 Milk	7.43%	Infratil Limited	5.52%
Contact Energy	6.93%	Summerset Group	5.29%
Meridian Energy	6.57%	EBOS Group	3.44%
Number of holdings			30

Sector Allocation	Fund	Benchmark
Health Care	25.63%	25.67%
Utilities	22.11%	21.09%
Industrials	12.24%	15.72%
Communication Services	11.24%	9.25%
Consumer Staples	7.89%	8.07%
Real Estate	4.75%	8.97%
Consumer Discretionary	4.19%	2.69%
Information Technology	3.96%	1.81%
Energy	3.88%	1.23%
Materials	2.38%	3.59%
Cash	0.98%	0.00%
Financials	0.75%	1.91%

## Market Commentary

What a year 2020 was! As COVID-19 spread across the world early in the year it had a widespread impact: peoples' health, large reductions in GDP as borders were closed and lockdowns put in place along with large losses in equity markets. As central banks and governments responded with monetary and fiscal stimulus bond rates plummeted and resulted in investors seeking higher returns and putting money to work in equity markets. Despite equity markets - as measured by the MSCI World index, falling 20% in the first quarter of the year, by the end of the year the MSCI World index was up 14.2%. The final quarter of the year was particularly strong for equity markets as positive economic news, earnings results and vaccine approvals all provided confidence to investors. The year also saw the United States election where President Trump lost to President Elect Joe Biden and closer to home the Labour Party won the New Zealand election with enough votes to govern alone. So, while we say goodbye or good riddance to 2020, 2021 offers some hope of getting on top of COVID-19 as vaccines are rolled out.

## Fund Commentary

The fund ended the quarter up 11.6% and in line with the index return. The largest positive contributors to relative return were overweight positions in **Summerset (SUM)**, **Contact Energy (CEN)** and **Mainfreight (MFT)**. SUM rose 39.6% on the back of a strong residential property market along with announcing strong sales numbers for the September quarter. CEN ended the period up 34.0% with the stock benefiting from flows into exchange traded funds that focus on clean energy. MFT added 52.0% following a strong half year result and positive outlook for the remainder of their financial year.

The largest negative contributors to relative return were overweight positions **A2 Milk (ATM)** and **Spark (SPK)** and an underweight position in **Fletcher Building (FBU)**. ATM fell 21.3% over the quarter after downgrading its earnings guidance. SPK underperformed the index return, ending the quarter flat with no material news in the period. FBU rose 53.3% following a strong trading update and better than expected guidance for its half year earnings.

Key portfolio changes during the quarter: adding **ANZ Bank (ANZ)** to the fund, adding to positions in **Auckland International Airport (AIA)**, **Chorus (CNU)**, **NextDC (NXT)**, **Waypoint REIT (WPR)** and **Ryman Healthcare (RYM)**. The fund also added to its position in SPG through its capital raising. The fund reduced positions in CEN, SPK, **Infratil (IFT)**, **ERoad (ERD)**, **Summerset (SUM)**, **Mercury (MCY)**, and **Meridian Energy (MEL)**. The fund exited its positions in **Orocobre (ORE)** and **Sanford (SAN)**.

(**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%	\$487m	October 2007

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

## Contact Us

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