

Factsheet 31 December 2020

NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

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 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.
- Overweight positions in Summerset, Infratil and Mainfreight added value. Underweight positions in Fletcher Building and Pacific Edge and an overweight position in A2 Milk detracted from value.

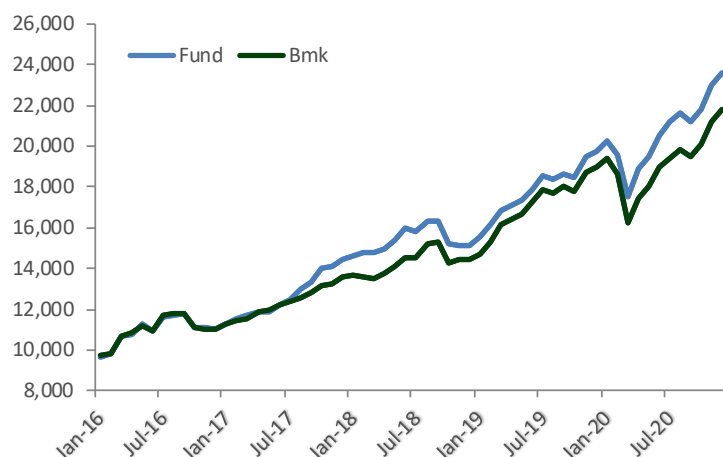
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale1	2.87%	11.60%	19.66%	17.88%	18.75%	17.20%
Benchmark2	2.58%	11.52%	14.62%	16.96%	16.84%	15.95%

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.

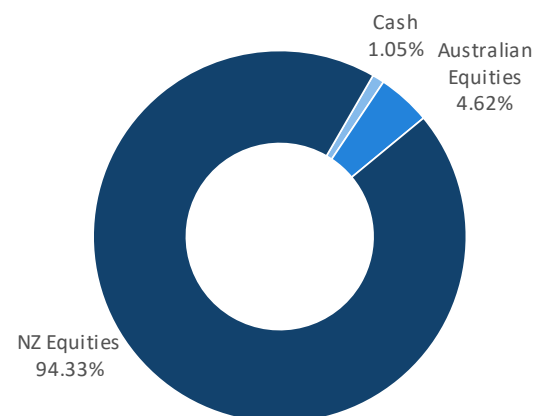
Overview

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 (quarter)*			
What Helped:		What Hurt:	
Infratil	OW	A2 Milk	OW
Mainfreight	OW	Fletcher Building	UW
Summerset Group	OW	Pacific Edge	UW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings			
Fisher & Paykel Healthcare	14.50%	Auckland Int. Airport	6.59%
Spark New Zealand	8.19%	Mainfreight Ltd	6.55%
A2 Milk	7.36%	Infratil	6.30%
Meridian Energy	7.35%	Summerset Group	4.54%
Contact Energy Ltd	6.72%	EBOS Group	3.52%
Number of holdings fund			29

*excludes restricted stocks

Sector Allocation	Fund	Benchmark
Health Care	24.90%	25.67%
Utilities	23.46%	21.09%
Industrials	13.14%	15.72%
Communication Services	11.38%	9.25%
Consumer Staples	7.88%	8.07%
Real Estate	6.21%	8.97%
Materials	3.41%	3.59%
Information Technology	2.77%	1.81%
Energy	2.68%	1.23%
Consumer Discretionary	2.00%	2.69%
Financials	1.12%	1.91%
Cash	1.05%	0.00%

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 **Infratil** (IFT), **Mainfreight** (MFT) and **Summerset** (SUM). SUM rose 39.6% on the back of a strong residential property market along with announcing strong sales numbers for the September quarter. AustralianSuper announced that they had made an offer to acquire IFT which IFT had rejected on the grounds that the offer undervalued the company. IFT jumped 48.3% over the quarter. 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 an overweight position in **A2 Milk** (ATM) and underweight positions **Fletcher Building** (FBU) and **Pacific Edge** (PEB). FBU rose 53.3% following a strong trading update and better than expected guidance for its half year earnings. PEB jumped 93.7% over the quarter following being added back into the S&P/NZX 50 index along with a recent customer agreement and insurance reimbursement approval. 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.

Key portfolio changes during the month included a new investment into **ANZ Banking Group** (ANZ) and participation in the **Stride Property** (SPG) \$180 million raise. In addition, the fund increased several positions meaningfully, FBU, **Auckland International Airport** (AIA), **Michael Hill International** (MHI) and **Z Energy** (ZEL). The fund reduced several positions, **Scales Corp** (SCL), **APN Industria REIT** (ADI) and **Investore Property** (IPL) while positions in Sanford (SAN), Orocobre (ORE) and Sky Network TV (SKT) were divested entirely.

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	\$74.9m

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

Contact Us www.nikkoam.co.nz | nzenquiries@nikkoam.com

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.