

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 mixed with COVID-19 still dominating news along with the inauguration of President Biden.
- The United States S&P 500 index fell 1.1%, the Japanese Nikkei 225 index gained 0.8%, the UK FTSE 100 index lost 0.8%, the Australian ASX 200 index added 0.3% and the MSCI World index ended the month down 0.2%.
- The S&P/NZX 50 index rose 0.3% for the month.

Fund Highlights

- The fund ended the month down 0.8%, 1.1% behind the benchmark.
- Exchange traded fund flows continue to drive share price movements in Contact Energy and Meridian.
- Contact Energy and Meridian were also impacted by the announcement that they had reached an agreement with the NZ Aluminium Smelter to delay their closure to the end of 2024.
- Underweight positions in Air New Zealand, Pacific Edge and Goodman Property added value. Overweight positions in Z Energy, Contact Energy and Summerset detracted from value.

Performance

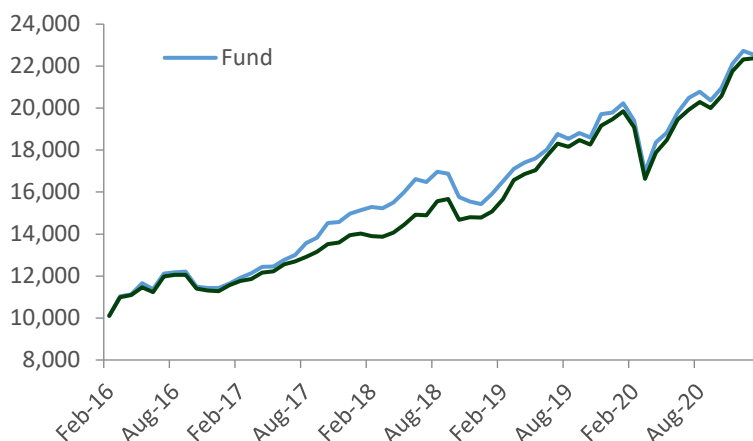
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-0.83%	7.51%	11.38%	14.20%	17.65%	16.40%
Benchmark ²	0.28%	8.71%	12.72%	16.86%	17.48%	16.03%
Retail ³	-0.89%	7.27%	10.50%	13.02%	16.23%	14.96%
KiwiSaver ³	-1.30%	6.87%	10.01%			

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 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.

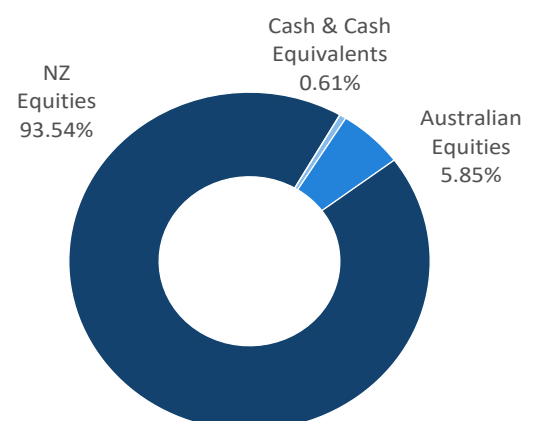
Overview

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 (month)			
What Helped:		What Hurt:	
Air New Zealand	NH	Contact Energy	OW
Pacific Edge	NH	Z Energy	OW
Fisher & Paykel	OW	Freightways	NH
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings			
Fisher & Paykel Healthcare	16.19%	Auckland International	6.02%
Spark New Zealand Limited	9.08%	Mainfreight Limited	5.98%
The A2 Milk Company	6.88%	Infratil Limited	5.46%
Meridian Energy Lt NPV	6.57%	Summerset Group Holdings	5.22%
Contact Energy Limited	6.39%	Mercury NZ Limited	3.46%
Number of holdings			30

Sector Allocation	Fund	Benchmark
Health Care	26.93%	26.34%
Utilities	21.88%	20.77%
Industrials	12.00%	15.50%
Communication Services	11.64%	9.54%
Consumer Staples	7.17%	7.70%
Real Estate	4.81%	8.93%
Consumer Discretionary	4.29%	2.60%
Information Technology	3.86%	1.66%
Energy	3.42%	1.13%
Materials	2.58%	3.78%
Financials	0.80%	2.05%
Cash	0.62%	0.00%

Market Commentary

COVID-19, virus mutations and the vaccine rollout will continue to be the focus of financial markets for the near future with a successful vaccine rollout crucial for border openings and an economic recovery. While global equity markets were mixed through January, long-dated bonds continue to move higher with the likes of the New Zealand 10-year government bond having tripled from its 45bps (0.45%) low in late September to be 1.34% at the time of writing. This move in long-dated bonds should flow through to investors considering how much they are willing to pay for equities, in particular yield stocks. While news flow was light in January, February will see a number of the fund's holdings report results for the period ending 31 December.

Fund Commentary

The fund ended the month down 0.8% and 1.1% behind the index return. The largest positive contributors to relative return were nil holdings in Air New Zealand (AIR), Pacific Edge (PEB) and Goodman Property (GMT). AIR had a very strong December quarter and gave up some of that in January as travel bubbles in the near term became less likely and finished the month down 11.7%. PEB, which rose more than 70% in December took a breather in January and pulled back 11.5%. GMT continues to drift lower, falling for the third month in a row and ending down 3.0% for the period. The overweight position in Fisher & Paykel Healthcare (FPH) also added value.

The largest negative contributors to relative return were overweight positions in **Z Energy** (ZEL), **Contact Energy** (CEN) and **Summerset** (SUM). ZEL fell 7.8% over the month as negative sentiment on the back of the the climate change commission recommendations weighed on the stock. Following five consecutive months of strong returns, CEN gave up 8.3% in January. SUM was another stock that took a breather following a very strong run and ended the period down 3.0%. Nil position in Freightways and Genesis Energy detracted value.

Key portfolio changes during the month included adding to positions in **Fisher & Paykel Healthcare** (FPH), **Meridian Energy** (MEL) and **Sky City Entertainment** (SKC). The fund reduced positions in CEN, **Scales** (SCL), SUM and ZEL.

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

Key Fund Facts

Distributions		Estimated annual fund charges (incl. GST)	
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.
Hedging		Buy / Sell spread	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%	\$472m
			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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