

# 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

- Despite long bond yields increasing materially over the quarter, most global equity markets posted positive returns.
- For the quarter, the United States S&P 500 index rose 5.8%, the Japanese Nikkei 225 index gained 6.3%, the UK FTSE 100 index increased 3.9%, the Australian ASX 200 index added 4.3% and the MSCI World index ended the quarter up 5.9% - all in local currency.
- The S&P/NZX 50 index went against the global trend and ended the quarter down 3.9%.

## Fund Highlights

- The fund ended the quarter down 4.7%, 0.8% behind the index. The month of March was positive for the index and the fund outperformed by 0.40%.
- A number of the fund's holdings reported results for the period ending December, with results generally in line or ahead of market expectations but were overwhelmed by sentiment relating to the long bond sell off.
- Overweight positions in Aristocrat Leisure, SkyCity Entertainment and PushPay added value. An overweight position in Contact Energy and underweight positions in Fletcher Building, Freightways detracted value.

## Performance

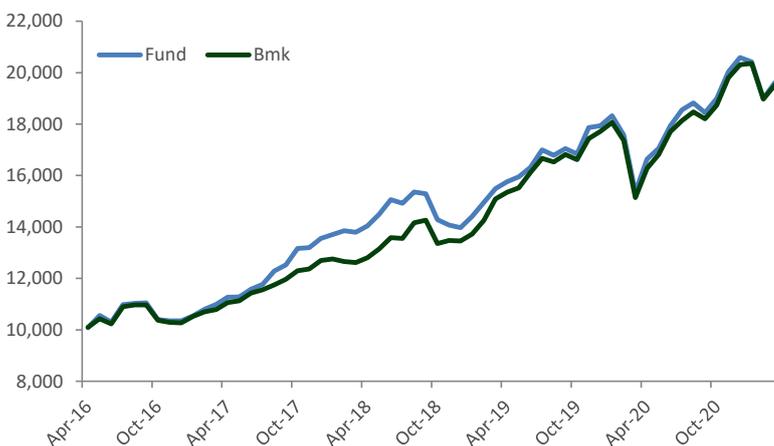
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	3.31%	-4.66%	27.82%	12.47%	14.44%	15.53%
Benchmark <sup>2</sup>	2.92%	-3.87%	28.93%	15.65%	14.32%	15.15%
Retail <sup>3</sup>	3.20%	-4.91%	26.64%	11.33%	13.07%	14.11%
KiwiSaver <sup>3</sup>	3.20%	-5.31%	26.11%	11.15%		

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.

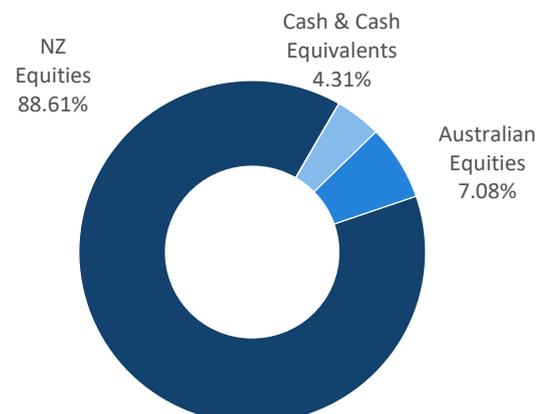
## Overview

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:	
Aristocrat Leisure Ltd	OW	Contact Energy Ltd	OW
Skycity Entertainment Group	OW	Fletcher Building Ltd	UW
PushPay	OW	Freightways Ltd	NH
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings			
Fisher & Paykel Healthcare	15.09%	Summerset Group Holdings	5.29%
Spark New Zealand Limited	9.03%	The A2 Milk Company	4.77%
Auckland International	6.44%	Contact Energy Limited	4.38%
Mainfreight Limited	6.18%	Meridian Energy LT	4.31%
Infratil Limited	5.80%	Fletcher Building Ltd	3.67%
<b>Number of holdings</b>			<b>31</b>

Sector Allocation	Fund	Benchmark
Health Care	26.24%	26.27%
Utilities	16.96%	19.12%
Industrials	13.35%	16.96%
Communication Services	11.79%	9.09%
Consumer Staples	5.05%	6.32%
Consumer Discretionary	5.01%	3.04%
Real Estate	4.68%	8.98%
Cash	4.31%	0.00%
Information Technology	4.16%	2.24%
Materials	3.67%	4.51%
Energy	3.36%	1.14%
Financials	1.42%	2.34%

## Market Commentary

While long bonds sold off across the world, New Zealand was particularly impacted. The New Zealand 10-year government bond traded above 2.0% intra-day before closing the quarter at 1.81%, up 82bps on the previous quarter’s close. While a number of companies reported in line or better than expected results for the period ending December, the bond movement dominated. This flowed through to a sell-off in the equity market, in particular yield stocks. In addition, with the confirmation that Meridian Energy and Contact Energy will be down weighted in the iShares Clean Energy ETF, both stocks sold off aggressively.

## Fund Commentary

The fund ended the quarter down 4.7% and 0.8% behind the index return. The largest positive contributors to relative return were overweight positions in **Aristocrat Leisure** (ALL), **SkyCity Entertainment** (SKC) and **Pushpay** (PPH). ALL rallied 12% as a re-opening trade beneficiary and following a positive update from the company at their ASM. SKC delivered a better than expected earnings result and rose 8.4% over the quarter. Following the sale of a large block of shares which was weighing on the share price, PPH added 14.9%. Meridian Energy dropped 26.3% over the quarter - dragged down by market positioning ahead of its down weight in the iShares Clean Energy ETF.

The largest negative contributors to relative return were overweight positions in **Contact Energy** (CEN) and an underweight position in **Fletcher Building** (FBU). Nil position in Freightways and Port of Tauranga which rallied 14.5% and 5.3% respectively detracted from relative value. CEN’s result was good but as with MEL, the stock was dragged down by market positioning ahead of its down weight in the iShares Clean Energy ETF along with a \$400 million capital raising to fund its geothermal development. ZEL fell 11.6% over the quarter following an update that their earnings will be towards the bottom of their guidance range. FBU, up 22.3%, reported a good result that benefited from the opening up of the domestic economy over the last six months. FBU also unexpectedly announced an interim dividend.

Key portfolio changes during the month included adding to positions in **Fisher & Paykel Healthcare** (FPH), **ANZ Banking Group** (ANZ), **Auckland International Airport** (AIA) and **Sky City Entertainment** (SKC). The fund reduced positions in CEN, **Meridian Energy** (MEL), **Summerset** (SUM), **Z Energy** (ZEL), **A2 Milk** (ATM) and **Scales** (SCL). A new position in **Sydney Airport** (SYD) was introduced in the fund.

(**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%	\$441.2m	October 2007

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

## 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 retail and KiwiSaver funds, please refer to the relevant Product Disclosure Statement on nikkoam.co.nz.