

# 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

- Most global equity markets pushed higher over May although tech heavy indices struggled due in part to a continued semiconductor shortage.
- The United States S&P 500 index rose 0.6%, the Japanese Nikkei 225 index fell 0.2%, the UK FTSE 100 index increased 0.8%, the Australian ASX 200 index added 2.3% and the MSCI All Countries World Index ended the month up 1.1% all in local currency.
- The S&P/NZX 50 index fell 3.2% over the month.

## Fund Highlights

- The fund ended the down 2.3%, 0.9% ahead of the index.
- A number of the fund's holdings reported earnings resulting for the period ending March.
- Overweight positions in Infratil, Spark, New Zealand Refining and Summerset added value. Underweight positions in Freightways, Kathmandu, Goodman Property and Port of Tauranga detracted from value.

## Performance

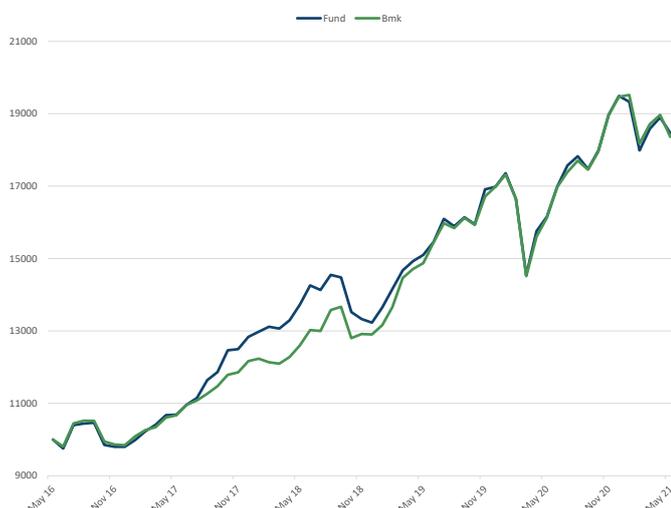
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-2.27%	2.66%	14.33%	10.39%	13.05%	15.09%
Benchmark <sup>2</sup>	-3.19%	0.98%	13.88%	13.37%	12.92%	14.56%
Retail <sup>3</sup>	-2.35%	2.49%	13.42%	9.31%	11.77%	13.68%
KiwiSaver <sup>3</sup>	-2.35%	2.49%	12.92%	9.67%		

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.

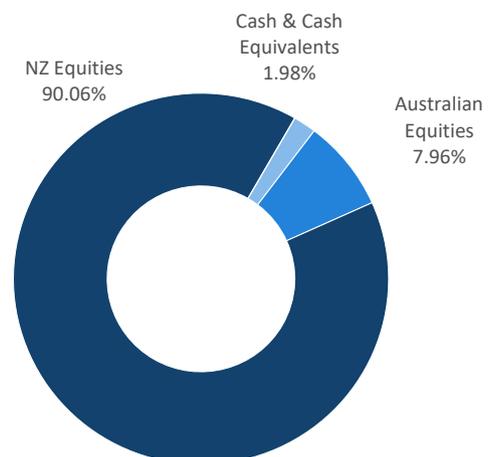
## Overview

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 (month)				Sector Allocation (as at month end)		
<b>What Helped:</b>		<b>What Hurt:</b>		<b>Fund</b>	<b>Benchmark</b>	
Infratil Ltd	OW	Freightways Ltd	NH	Health care	25.77%	25.74%
Summerset Group Ltd	OW	Kathmandu Ltd	NH	Utilities	20.40%	20.18%
Spark Ltd	OW	Goodman Property	NH	Industrials	13.38%	17.27%
OW: overweight; UW: underweight; NH: no holding				Communication services	11.67%	9.08%
<b>Top 10 Holdings (as at month end)</b>				Materials	5.82%	4.84%
Fisher & Paykel Healthcare Corp	13.83%	Auckland International	6.17%	Consumer discretionary	5.15%	3.33%
Spark New Zealand Ltd	9.19%	Fletcher Building Ltd	5.82%	Real estate	4.15%	9.24%
Contact Energy Ltd	6.51%	Summerset Group	5.35%	Information technology	4.12%	2.04%
Infratil Ltd	6.46%	Meridian Energy Ltd	4.89%	Energy	3.45%	1.06%
Mainfreight Ltd	6.24%	EBOS Group Ltd	4.17%	Financials	2.41%	2.49%
			<b>Number of holdings</b>	Cash and cash equivalents	1.98%	0.00%
				Consumer staples	1.69%	4.73%

## Market Commentary

Most global equity markets pushed higher over May although tech heavy indices such as the Nasdaq struggled due in part to a continued semiconductor shortage and a rotation out of technology stocks. The New Zealand market underperformed global markets again in May with the S&P / NZX 50 index down 3.2% compared to the MSCI AC World Index which was up 1.1%. Large capitalisation stocks were the main contributor to the S&P / NZX 50 index fall with Fisher & Paykel Healthcare's result disappointing, an earnings guidance downgrade from A2 Milk and the resignation of Ryman Healthcare's Chief Executive. A number of securities reported results for the period ending March.

## Fund Commentary

The fund ended the month down 2.3% and 0.9% ahead of the index return. The largest positive contributors to relative return were overweight positions in **Infratil (IFT)**, **Summerset (SUM)**, **Spark (SPK)** and **New Zealand Refining (NZR)**. SPK and SUM rose 3.0% and 2.8% respectively on no specific news while IFT 6.9% following a strong earning result for FY21. NZR rose 30.8% after agreeing terms with **Z Energy (ZEL)** which brings it a step closer to moving to an import terminal.

The largest negative contributors to relative return were nil holding in **Freightways (FRE)**, **Kathmandu (KMD)**, **Goodman Property (GMT)** and **Port of Tauranga (POT)**. FRE rallied 6% detracting from relative performance as they benefitted from increased economic activity domestically and globally. KMD which continues to benefit from buoyant retail sales announced the appointment of a new Chief Executive and rose 11.7%. GMT rose 1.8% after announcing its full year result which included a large portfolio revaluation gain while POT rose 1.2% on no specific news.

Key portfolio changes during the month included adding **Westpac (WBC)** to the portfolio along with increasing positions in **Fletcher Building (FBU)**, **Contact Energy (CEN)**, **Meridian Energy (MEL)** and **Fisher & Paykel Healthcare (FPH)**. Positions in **SPK**, **Eroad (ERD)**, **A2 Milk (ATM)** and **Mainfreight (MFT)** were reduced.

(**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%	\$399.7m	October 2007

## Compliance

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

## Contact Us

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