

Factsheet 31 May 2021

NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

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 produced a negative 2.66% absolute return for the month.
- Overweight positions in Infratil, Spark and Summerset added value.
- Nil holdings in Freightways, Kathmandu and Goodman Property detracted value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-2.66%	1.83%	14.46%	13.27%	14.66%	15.73%
Benchmark ²	-3.19%	0.98%	13.88%	13.37%	12.92%	14.47%

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.

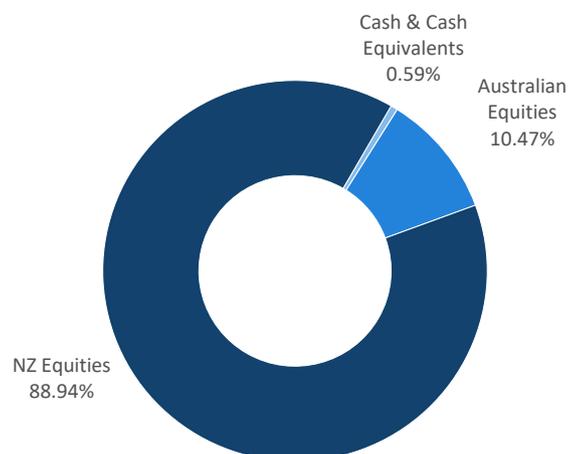
Overview

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 (month)*				Sector Allocation (as at month end)		
What Helped:		What Hurt:		Health care	25.75%	25.74%
Infratil Ltd	OW	Freightways Ltd	NH	Utilities	21.10%	20.18%
Spark New Zealand Ltd	OW	Kathmandu Ltd	NH	Industrials	14.25%	17.27%
Summerset Group Ltd	OW	Goodman Property	NH	Communication services	11.72%	9.08%
OW: overweight; UW: underweight; NH: no holding				Materials	6.57%	4.84%
Top 10 Holdings (as at month end)				Real Estate	6.27%	9.24%
Fisher & Paykel Healthcare	13.89%	Mainfreight Ltd	6.00%	Financials	4.26%	2.49%
Spark New Zealand Ltd	8.69%	Meridian Energy Ltd	5.23%	Information technology	3.95%	2.04%
Auckland International Airport	6.84%	Summerset Group	4.53%	Consumer discretionary	2.93%	3.33%
Fletcher Building Ltd	6.57%	EBOS Group Ltd	4.15%	Consumer staples	1.66%	4.73%
Contact Energy Ltd	6.42%	Ryman Healthcare Ltd	3.18%	Energy	0.92%	1.06%
			Number of holdings	32	Cash	0.60%
						0.00%

*excludes restricted stocks

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 produced a negative 2.66% absolute return for the month. The largest positive relative returns were from overweight positions in **Infratil (IFT)**, **Spark (SPK)** and **Summerset (SUM)**. IFT up 6.7%, delivered a robust FY21 result providing added confidence in the outlook for Vodafone, Canberra Data Centres and potential dividend growth. SPK up 3.0% and SUM up 2.8% rallied on no specific news.

The largest negative relative returns were from nil holdings in Freightways (FRE), Kathmandu (KMD) and Goodman Property (GMT). FRE up 6.0%, is benefiting from a better than expected NZ economic recovery. KMD up 11.7%, announced the appointment of a new Chief Executive, in addition to the retail sales environment remaining buoyant. GMT up 1.8%, after announcing its full year result which included a large portfolio revaluation gain.

Key portfolio changes during the month included adding **Westpac Banking Corp (WBC)** to the portfolio. An increase in **NextDC (NXT)**, **Ryman (RYM)**, **Investore (IPL)** and **Contact Energy (CEN)**; a decrease in **A2 Milk Company (ATM)**.

(**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	\$82m

Compliance

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

Contact Us

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