

Factsheet 30 June 2021

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 the quarter as lockdowns and restrictions were eased and economic data improved, albeit a watchful eye is on new COVID strains such as the Delta strain.
- The United States S&P 500 index rose 8.2%, the Japanese Nikkei 225 index fell 1.3%, the UK FTSE 100 index increased 4.8%, the Australian ASX 200 index added 8.3% and the MSCI World index ended the quarter up 7.2%, all in local currency.
- The S&P/NZX 50 index rose 0.9% over the quarter, all in local currency.

Fund Highlights

- The fund ended up 2.7%, 1.8% ahead of the index.
- A number of the fund's holdings reported earnings results for the period ending March.
- Overweight positions in EROAD and Summerset and an underweight position in Ryman Healthcare added value. Underweight positions in Arvida, Freightways and Kathmandu and an overweight position in PushPay detracted from value.

Performance

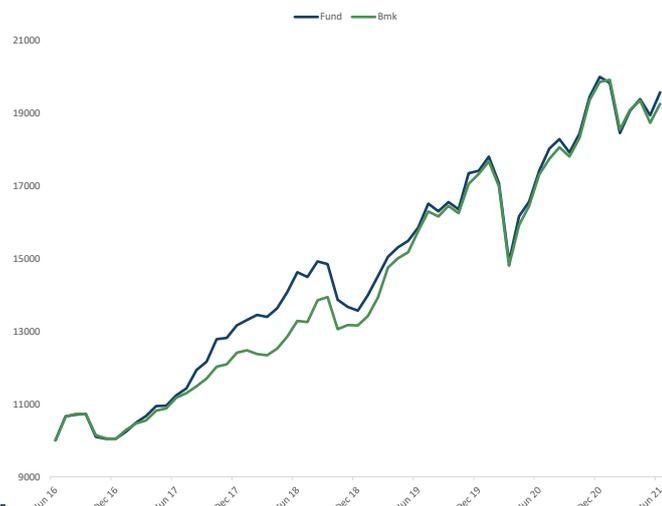
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	3.30%	2.65%	12.36%	10.19%	14.36%	15.86%
Benchmark ²	2.79%	0.86%	11.21%	13.16%	13.99%	15.20%
Retail ³	3.22%	2.51%	11.44%	9.17%	13.07%	14.45%
KiwiSaver ³	3.24%	2.53%	10.96%	9.49%		

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.

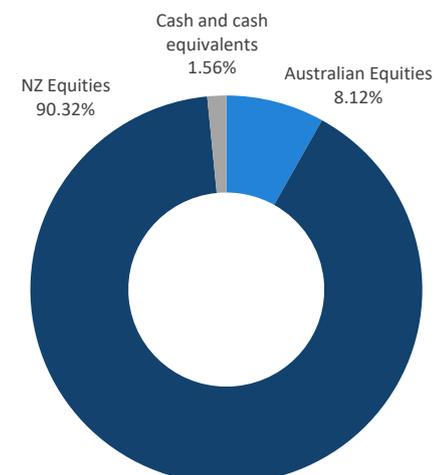
Overview

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)				Sector Allocation (as at month end)		
What Helped:		What Hurt:		Fund	Benchmark	
Ryman Healthcare Ltd	UW	Arvida Ltd	NH	Health care	25.70%	25.95%
EROAD Ltd	OW	Freightways Ltd	NH	Utilities	20.61%	20.09%
Summerset Ltd	OW	Kathmandu Ltd	NH	Industrials	13.02%	16.85%
OW: overweight; UW: underweight; NH: no holding				Communication services	11.78%	9.31%
Top 10 Holdings (as at month end)				Materials	5.69%	4.76%
Fisher & Paykel Healthcare	13.86%	Auckland International	5.79%	Consumer discretionary	5.58%	3.21%
Spark New Zealand	9.16%	Fletcher Building Ltd	5.69%	Information technology	4.32%	2.11%
Contact Energy Ltd	6.62%	Summerset Group	5.57%	Real estate	4.15%	9.21%
Infratil Ltd	6.32%	Meridian Energy Ltd	5.17%	Energy	3.54%	1.09%
Mainfreight Ltd	6.30%	EBOS Group Ltd	3.93%	Financials	2.28%	2.41%
			Number of holdings	Consumer staples	1.79%	5.01%
				Cash and cash equivalents	1.54%	0.00%

Market Commentary

Most global equity markets continued their strong run for the year as lockdowns and restrictions were eased and economic data improved. The New Zealand market continues to be somewhat of an outlier when looking at the year-to-date returns with the S&P/NZX 50 index down 3.1% compared to the US S&P 500 index up 14.4% or the MSCI World index up 13.5%. Large capitalisation stocks remain the main contributor to the S&P/NZX 50 index relative underperformance with Fisher & Paykel Healthcare’s result disappointing, an earnings guidance downgrade from A2 Milk and the resignation of Ryman Healthcare’s Chief Executive all occurring in the quarter. A watchful eye is on new COVID strains such as the Delta strain that appears to be far more contagious. A number of securities reported results for the period ending March.

Fund Commentary

The fund ended the quarter up 2.7% and 1.7% ahead of the index return. The largest positive contributors to relative return were overweight positions in **EROAD** (ERD) and **Summerset** (SUM) and an underweight position in **Ryman Healthcare** (RYM). ERD, up 40.5%, delivered a result in line with expectations but importantly continues to build momentum in the Australia and North America markets. SUM rose 10.5% as it benefits from the strong residential property market. RYM fell 13.3% following the surprise resignation of its Chief Executive Officer and continued market concerns around its debt level.

The largest negative contributors to relative return were underweight positions in Arvida (ARV), Freightways (FRE) and Kathmandu (KMD). KMD, which continues to benefit from buoyant retail sales, announced the appointment of a new Chief Executive and rose 22.6%. As with SUM, ARV benefited from the strong residential property market and ended the quarter up 24.6%. FRE rallied 11.5% over the quarter supported by good peer group trading updates.

Key portfolio changes during the quarter included adding **Westpac** (WBC) to the portfolio along with increasing positions in **Fletcher Building** (FBU), **Contact Energy** (CEN), **Meridian Energy** (MEL) and RYM. Positions **Fisher & Paykel Healthcare** (FPH) and **ATM** reduced with ATM moving to a material underweight position.

(**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	Strategy Launch
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%	\$405.9m	October 2007

Compliance

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

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