

Factsheet 31 July 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

- Global equity markets were mixed over the month, as Chinese regulation of industries and companies weighed on Asian markets. Debates continued as to whether current inflation is transitory or structural, and the Delta variant of COVID-19 continued to spread around the globe. The rollout of COVID-19 vaccines has enabled more freedom in certain countries such as the United Kingdom and the United States of America.
- The United States S&P 500 index rose 2.3%, the Japanese Nikkei 225 index fell 5.2%, the UK FTSE 100 index lost 0.1%, the Australian ASX 200 index added 1.1% and the MSCI World index ended the month up 0.7%.
- The S&P/NZX 50 index fell 0.5% over the month.

## Fund Highlights

- The fund ended down 0.2%, 0.3% ahead of the index.
- News flow was relatively light ahead of a number of the fund's holdings, reporting results next month for the period ending June.
- Summerset reported strong sales and resales figures for the June quarter.
- EROAD raised \$80.5m to fund the acquisition of a complimentary business.
- Overweight positions in Sydney Airport, Z Energy and New Zealand Refining and an underweight position in Kathmandu added value.
- Underweight position in Goodman Property and overweight positions in Sky City Entertainment and Summerset detracted from value.

## Performance

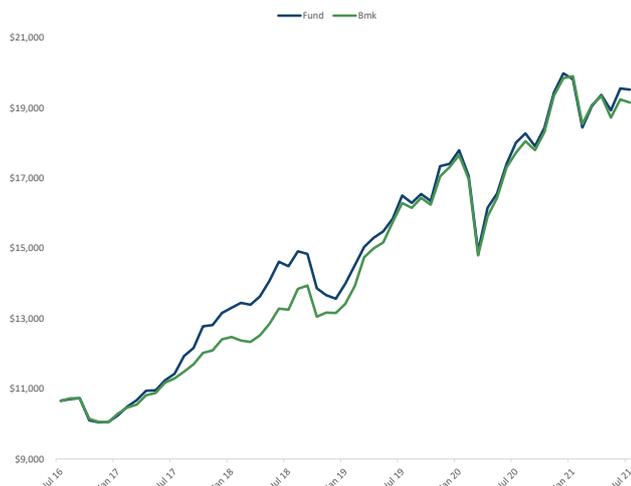
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-0.19%	0.75%	8.36%	10.44%	12.86%	15.98%
Benchmark <sup>2</sup>	-0.46%	-0.96%	8.04%	13.07%	12.45%	15.32%
Retail <sup>3</sup>	-0.27%	0.52%	7.49%	9.45%	11.58%	14.57%
KiwiSaver <sup>3</sup>	-0.26%	0.55%	7.04%	9.75%		

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.

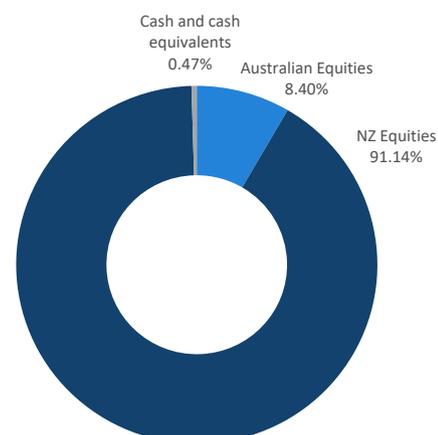
## Overview

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>		Fund	Benchmark	
Sydney Airport	OW	Goodman Property	NH	Health care	26.45%	26.08%
Z Energy Ltd	OW	Skycity Entertainment	OW	Utilities	20.11%	19.77%
New Zealand Refining Co Ltd	OW	Summerset	OW	Industrials	13.66%	17.25%
OW: overweight; UW: underweight; NH: no holding				Communication services	11.34%	9.17%
<b>Top 10 Holdings (as at month end)</b>				Materials	6.00%	4.86%
Fisher & Paykel Healthcare Corp	14.09%	Fletcher Building Ltd	6.00%	Consumer discretionary	5.30%	2.97%
Spark New Zealand	8.74%	Auckland International	5.82%	Information technology	4.50%	2.02%
Mainfreight Ltd	6.73%	Summerset Group	5.37%	Energy	3.91%	1.18%
Contact Energy Ltd	6.54%	Meridian Energy Ltd	5.07%	Real estate	3.84%	9.49%
Infratil Ltd	6.01%	EBOS Group Ltd	4.16%	Financials	2.46%	2.34%
				Consumer staples	1.96%	4.88%
				Cash and cash equivalents	0.47%	0.00%
				<b>Number of holdings</b>	<b>34</b>	<b>50</b>

## Market Commentary

Global equity markets were mixed over the month, as Chinese regulation of industries and companies weighed on Asian markets. Debates continued as to whether current inflation is transitory or structural and the Delta variant of COVID-19 continued to spread around the globe. The rollout of COVID-19 vaccines has enabled more freedom in certain countries such as the United Kingdom and the United States of America. News flow was relatively light ahead of results to be announced for the period ending June next month although a number of investor days and Annual Shareholder Meetings were held in July.

## Fund Commentary

The fund ended the month down 0.2% and 0.3% ahead of the index return. The largest positive contributors to relative return were overweight positions in **Sydney Airport** (SYD), **Z Energy** (ZEL) and **New Zealand Refining** (NZR) and an underweight position in Kathmandu (KMD). SYD jumped 35% after announcing an indicative non-binding bid from a consortium of the investors at \$8.25, a circa 42% premium to the pre-bid price. ZEL rose 7.7% following a well-received investor day where they outlined growth opportunities over the next few years. NZR added 22.1% as it closes in on its shareholder meeting planned for early August. The meeting will see shareholders vote on whether to convert the refinery into an import only terminal. KMD fell 14.9%, dragged down due to lockdowns across Australia which will flow through to lower-than-expected earnings.

The largest negative contributors to relative return were overweight positions in **Sky City Entertainment** (SKC) and **Summerset** (SUM), and an underweight position in Goodman Property (GMT). SKC lost 8.3% with the key driver over the month the closure of their Adelaide Casino for part of the month due to the lockdowns across Australia. While SUM announced strong sales numbers for the June quarter the stock fell 3.8% on no specific news. Goodman Group, the Manager of GMT acquired 3% of GMT which takes its ownership to 24.8%. The acquisition was made on market and above where GMT had been trading. GMT rose 5.6% over the month.

Key portfolio changes during the month included adding **Radius Residential Care** (RAD) to the portfolio along with increasing the position in ERD through the capital raising. Positions in **Fletcher Building** (FBU), **Contact Energy** (CEN), **Sky Television** (SKT), **A2 Milk** (ATM) and **Auckland International Airport** (AIA) were added to. Positions in **Argosy Property** (ARG), **Stride Property** (SPG), and **Fisher and Paykel Healthcare** (FPH) 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%	\$404.9m	October 2007

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

## Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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