

Factsheet 31 July 2021

# NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

## 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 Real Estate index ended the month up 2.4% and outperformed the broader market with the S&P/NZX 50 index down 0.5%. The Australian property index ended the month up 0.5%.

## Fund Highlights

- The fund produced a positive 0.07% absolute return for the month.
- Overweight positions in Sydney Airport and Restaurant Brands, in addition to a nil holding in Kathmandu added value.
- Nil holding in Goodman Property and overweight positions in Ingenia and Infratil 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>	0.07%	1.07%	9.38%	13.57%	14.77%	16.77%
Benchmark <sup>2</sup>	-0.46%	-0.96%	8.04%	13.07%	12.45%	15.23%

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<sup>1, 2</sup>



## 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.

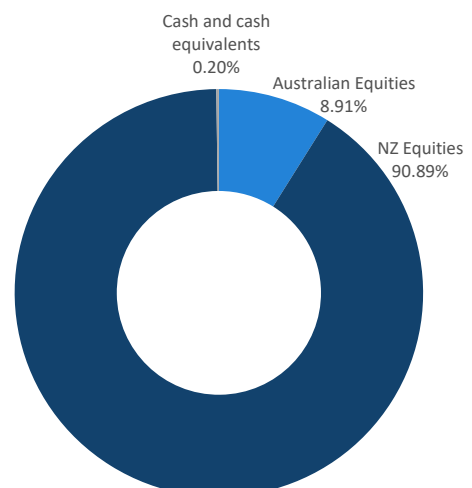
## Overview

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)		Fund	Benchmark
<b>What Helped:</b>		<b>What Hurt:</b>		Health care		26.46%	26.08%
Sydney Airport	OW	Goodman Property	NH	Utilities		21.03%	19.77%
Restaurant Brands NZ Ltd	OW	Ingenia	OW	Industrials		14.68%	17.25%
Kathmandu Ltd	NH	Infratil Ltd	OW	Communication services		10.59%	9.17%
OW: overweight; UW: underweight; NH: no holding				Materials		6.40%	4.86%
<b>Top 10 Holdings (as at month end)</b>				Real estate		6.10%	9.49%
Fisher & Paykel Healthcare	13.99%	Infratil Ltd	6.17%	Information technology		5.24%	2.02%
Spark New Zealand Ltd	7.80%	Auckland Int Airport	5.77%	Financials		3.37%	2.34%
Mainfreight Ltd	6.71%	Meridian Energy Ltd	5.44%	Consumer discretionary		2.86%	2.97%
Contact Energy Ltd	6.50%	EBOS Group Ltd	4.45%	Consumer staples		2.11%	4.88%
Fletcher Building Ltd	6.40%	Summerset Group	4.25%	Energy		0.97%	1.18%
			<b>Number of holdings</b>	<b>36</b>	Cash and cash equivalents	0.20%	0.00%

\*excludes restricted stocks

## 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 produced a positive 0.07% absolute return for the month. The largest positive relative returns were from overweight positions in Sydney Airport (SYD) and Restaurant Brands (RBD); and from a nil position in Kathmandu (KMD). SYD up 34.3%, received a takeover offer from the Sydney Aviation Alliance, a consortium involving IFM Investors, QSuper and Global Infrastructure Partners. SYD subsequently rejected the offer. RBD up 11.5%, despite ongoing COVID-19 disruption, the business continues to execute well on its global growth strategy. The release of their 2Q sales confirmed solid growth despite the difficult conditions. KMD fell 14.9%, dragged down due to lockdowns across Australia which will flow through to lower-than-expected earnings.

The largest negative relative returns were from an overweight position in Infratil (IFT) and Ingenia (INA) and nil holding in Goodman Property (GMT). GMT up 5.6%, after the manager increased its ownership size via an on-market transaction, done at a premium to spot. IFT down 5.1%, as Chief executive Mark Bogoievski announced his resignation from Infratil's parent company Morrison & Co after 13 years in the role. INA dropped 5.7% as the COVID-19 lockdowns across Australia weighed on the share price.

Key portfolio changes during the month include: the addition of Radius Residential Care (RAD) and NZ Refining (NZR). Increases in Precinct Properties (PCT), EROAD (ERD), and Michael Hill (MHJ). Decreases in Sydney Airport (SYD), Scales Corp (SCL) and ANZ Bank (ANZ).

## Key Fund Facts

<b>Distributions</b>	<b>Estimated annual fund charges</b>		
Calendar quarter.	Wholesale: negotiated outside of fund		
<b>Hedging</b>	<b>Buy / Sell spread:</b>	<b>Strategy Launch Date</b>	<b>Strategy size</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%	January 2008	\$67.6m

## Compliance

The 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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