

Factsheet 31 August 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 strong over the month with the exception of China where more regulations were announced, in particular focused on the tech sector.
- With inflation moving higher and unemployment low the Reserve Bank of New Zealand was set to raise the Official Cash Rate before a surprise COVID-19 outbreak in New Zealand put that on hold.
- The United States S&P 500 index rose 2.9%, the Japanese Nikkei 225 index gained 3.0%, the UK FTSE 100 index increased 1.2%, the Australian ASX 200 index added 2.5% and the MSCI World index ended the month up 2.4%. The S&P/NZX 50 index had a strong month rising 5.0%.

## Fund Highlights

- The fund ended up 5.6%, 0.6% ahead of the index.
- A number of the fund's holdings reported earnings results for the period ending June with results generally in line or better than expected.
- Overweight positions in Z Energy, Summerset and Mainfreight added value.
- An underweight position in Ryman Healthcare and overweight positions in Radius Residential Care and EROAD 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>	5.58%	8.85%	12.76%	11.38%	14.00%	16.83%
Benchmark <sup>2</sup>	5.00%	7.43%	11.42%	13.26%	13.40%	16.11%
Retail <sup>3</sup>	5.49%	8.59%	11.85%	10.31%	12.72%	15.41%
KiwiSaver <sup>3</sup>	5.49%	8.62%	11.37%	10.57%		

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.

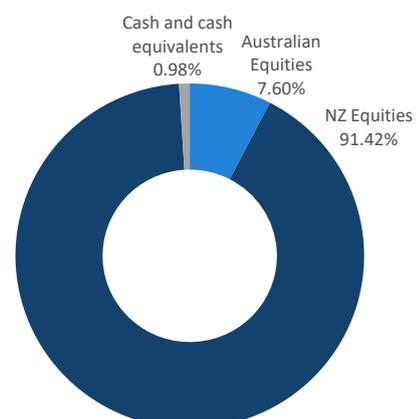
## Overview

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	
Z Energy Ltd	OW	Ryman Healthcare Ltd	UW	Health care	26.87%	27.27%
Summerset Ltd	OW	Radius Care Ltd	OW	Utilities	19.81%	19.03%
Mainfreight Ltd	OW	EROAD Ltd	OW	Industrials	19.09%	21.87%
OW: overweight; UW: underweight; NH: no holding				Communication services	10.94%	9.27%
<b>Top 10 Holdings (as at month end)</b>				Energy	5.22%	1.35%
Fisher & Paykel Healthcare	13.55%	Summerset Group	5.66%	Consumer discretionary	4.67%	2.86%
Spark New Zealand Ltd	7.65%	Fletcher Building Ltd	5.57%	Information technology	4.44%	2.05%
Mainfreight Ltd	7.29%	Auckland Int Airport Ltd	5.49%	Real estate	3.46%	9.45%
Infratil Ltd	6.23%	Meridian Energy Ltd	4.83%	Consumer staples	2.35%	4.53%
Contact Energy Ltd	6.19%	EBOS Group Ltd	4.52%	Financials	2.17%	2.32%
				Cash and cash equivalents	0.98%	0.00%
				<b>Number of holdings</b>	<b>33</b>	<b>50</b>

## Market Commentary

Global equity markets were strong over the month with the exception of China where more regulations were announced, in particular focused on the tech sector. Despite the spread of the Delta variant of COVID-19 around the world, the vaccine rollout has enabled more freedom in many countries. With inflation moving higher and unemployment low, the Reserve Bank of New Zealand was set to raise the Official Cash Rate before a surprise COVID-19 outbreak in New Zealand put that on hold. Earnings results in New Zealand for the period ending June were good but with the COVID-19 outbreak the near-term outlook is uncertain.

## Fund Commentary

The fund ended the month up 5.6% and 0.6% ahead of the index return. The largest positive contributors to relative return were overweight positions in **Z Energy** (ZEL), **Summerset** (SUM) and **Mainfreight** (MFT). ZEL rose 19.0% after announcing that it had received a conditional takeover bid from Ampol. SUM rose 17.1% after reporting a very strong half-year result and a better-than-expected build rate for the year.

The largest negative contributors to relative return were underweight positions in **Ryman Healthcare** (RYM) and an overweight position in **Radius Residential Care** (RAD) and **EROAD** (ERD). RYM rose 17.5%, dragged up by SUM's strong result along with the continued strength in the housing market. ERD fell over the month following a strong performance in the previous month, while RAD lost 15.0% - ending the month in line with where the fund added RAD through its capital raising in July.

Key portfolio changes during the month included adding to positions in **Mercury Energy** (MCY), **ZEL**, **A2 Milk** (ATM), **Chorus** (CNU), **Contact Energy** (CEN) and **Infratil** (IFT). Positions in **ANZ Bank** (ANZ), **Spark** (SPK), **Sky City Entertainment** (SKC) and RYM were reduced. (**Bold** denotes stocks held in the portfolio).

## Key Fund Facts

### Distributions

Wholesale fund: Calendar quarter  
Retail fund: March and September  
KiwiSaver fund: Does not distribute

### Hedging

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.

### Estimated annual fund charges (incl. GST)

Wholesale: Negotiated outside of fund  
Retail: 0.95%, refer PDS for more details  
KiwiSaver: 0.95%, refer PDS for more details.

Buy / Sell spread	Strategy size	Strategy Launch
0.29% / 0.29%	\$427.7m	October 2007

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

## Contact Us

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