

Factsheet 31 January 2022

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 sold off aggressively over January as inflation prints continue to be high increasing the likelihood of Central Banks raising cash rates.
- The United States S&P 500 index fell 5.3%, the Japanese Nikkei 225 index lost 6.2%, the UK FTSE 100 index gained 1.1%, the Australian ASX 200 index declined 6.4% and the MSCI World index ended the month down 6.1%.
- The S&P/NZX 50 index was one of the worst performing markets and ended the month down 8.8%.

Fund Highlights

- The fund ended down 9.0%, 0.2% behind the index.
- Overweight positions in Restaurant Brands and New Zealand Refining plus an underweight position in Ryman Healthcare added value.
- Underweight positions in positions in Goodman Property, NextDC, Precinct Properties and Port of Tauranga detracted from value.

Performance

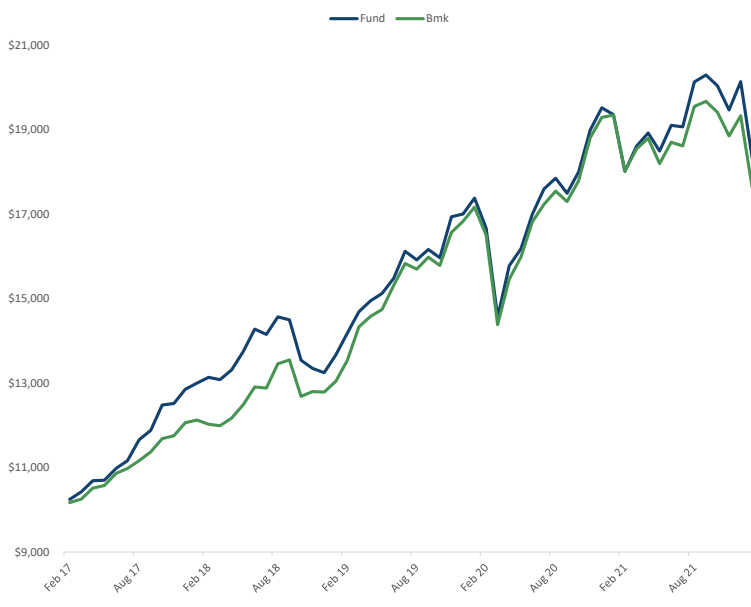
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-8.97%	-8.52%	-5.30%	10.29%	12.89%	15.75%
Benchmark ²	-8.78%	-9.15%	-8.84%	10.58%	12.02%	14.94%
Retail ³	-9.02%	-8.73%	-6.13%	9.21%	11.63%	14.34%
KiwiSaver ³	-9.04%	-8.74%	-6.13%	9.33%		

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.

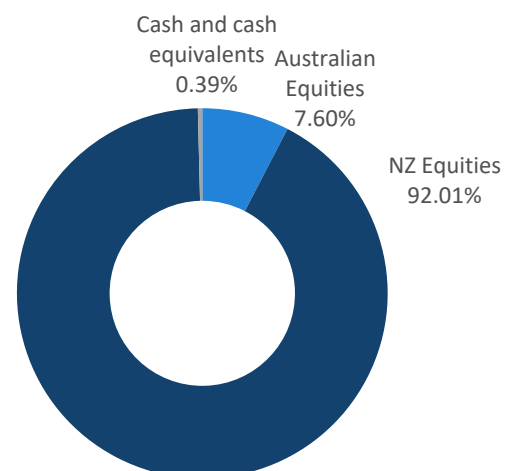
Overview

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)			
What Helped:		What Hurt:	
Ryman Healthcare	UW	Goodman Property	UW
Restaurant Brands NZ	OW	NextDC	UW
NZ Refining	OW	Precinct Properties NZ	UW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings (as at month end)			
Fisher & Paykel Healthcare	13.70%	Auckland Int. Airport Ltd	6.02%
Spark New Zealand Ltd	7.51%	Fletcher Building Ltd	5.76%
Mainfreight Limited	7.16%	EBOS Group Limited	5.63%
Infratil Limited	6.89%	Summerset Group	5.10%
Contact Energy Limited	6.75%	Meridian Energy Ltd	4.10%

Sector Allocation (month end position)	Fund	Benchmark
Health care	28.94%	26.03%
Utilities	20.12%	18.93%
Industrials	18.94%	22.33%
Communication services	11.55%	9.52%
Consumer discretionary	5.09%	2.82%
Information technology	3.69%	1.89%
Real estate	3.57%	9.74%
Consumer staples	3.21%	4.74%
Financials	2.06%	1.51%
Energy	1.62%	2.50%
Materials	0.81%	0.00%
Cash and cash equivalents	0.39%	0.00%
Number of holdings	36	50

Market Commentary

Global equity markets sold off aggressively over January as inflation prints continue to be high increasing the likelihood of Central Banks raising cash rates earlier than initially expected. The rapid spread of the Omicron COVID-19 variant has also had an impact on markets albeit countries are at differing stages of the spread. Restrictions were placed on New Zealanders, moving to the red light setting of our response framework. In addition, tensions between Russia and the West around Ukraine escalated.

Fund Commentary

The fund ended the month down 9.0% and 0.2% behind the index return. The largest positive contributors to relative return were overweight positions in **Restaurant Brands** (RBD) and **New Zealand Refining** (NZR) and an underweight position in **Ryman Healthcare** (RYM). In a month when most stocks posted negative returns, RBD and NZR rose 5.1% and 1.1% respectively. RBD increased on their fourth quarter sales numbers which increased 5.5%. NZR benefited from a reasonable operational update along getting closer to April when it will have converted to an import only terminal. RYM was one of the worst performing stocks in the index, falling 19.2% as it continues to be impacted by negative sentiment around residential house prices.

The largest negative contributors to relative return were underweight positions in positions in Goodman Property (GMT), NextDC (NXT), Precinct Properties (PCT) and Port of Tauranga (POT). On no specific news, GMT, PCT and POT posted relatively close returns, down 3.9%, 3.6% and 3.5% respectively. NXT came under pressure falling 15% over the month as tech names fell out of favour globally and in spite of an ever-improved outlook for their capacity.

Key portfolio changes during the month included adding to positions in RYM, **Fisher & Paykel Healthcare** (FPH) and **Auckland International Airport** (AIA) as it fell back. The fund initiated a new position in Charter Hall Group (CHC). This was funded primarily by mild reductions in our position **EBOS** (EBO) and **ANZ Bank** (ANZ).

(**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	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.	Buy / Sell spread	Strategy size	Strategy Launch
		0.29% / 0.29%	\$385.7m	October 2007
Exclusions	Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.			
Restrictions	Tobacco stocks, 'controversial weapons', fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website https://www.nikkoam.co.nz/invest/retail .			

Compliance

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

Contact Us

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