

Factsheet 28 February 2022

# NIKKO AM SRI EQUITY STRATEGY

Assets are held in the Nikko AM Wholesale SRI Equity Fund. The Nikko AM SRI Equity Fund (retail) and the Nikko AM KiwiSaver SRI invest in units in the wholesale fund, which the commentary refers to.

## Market Overview

- Global equity markets were generally down over February with COVID-19, inflation concerns, company earnings and the invasion of Ukraine all having an impact.
- The United States S&P 500 index fell 3.1%, the Japanese Nikkei 225 index lost 1.8%, the UK FTSE 100 index gave up 0.1%, the Australian ASX 200 index rose 2.1% and the MSCI World index ended the month down 2.6%.
- The S&P/NZX 50 index ended the month up 0.8%.

## Fund Highlights

- The fund ended up 1.0%, which was ahead of the index.
- A number of the fund's holdings reported earnings results for the period ending December.
- Nil holdings in Port of Tauranga, Kiwi Property, and an overweight in Infratil added value.
- Nil holding in restricted stock Sky City, an overweight in Pushpay and an underweight in Meridian 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>	1.04%	-4.49%	2.86%	11.74%	14.43%	16.74%
Benchmark <sup>2</sup>	0.75%	-5.75%	-1.41%	9.49%	11.81%	14.93%
Retail <sup>3</sup>	0.96%					
KiwiSaver <sup>3,4</sup>	1.06%	-4.99%	2.05%	8.38%		

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).

4. KiwiSaver fund transitioned from core strategy to SRI strategy in February 2022.

## 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.

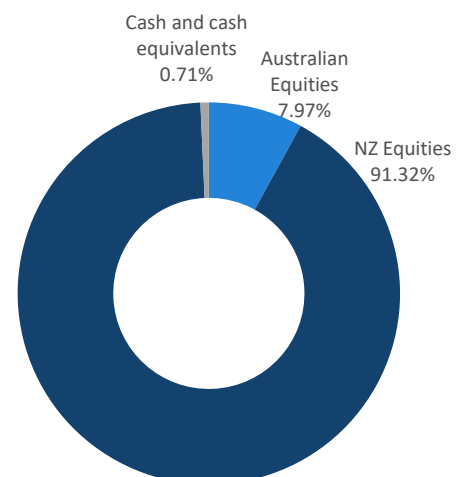
## Objective

The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

## Five Year Cumulative Performance, \$10,000 invested<sup>1, 2</sup>



## Asset Allocation



Attribution to Performance (for the month) *				Sector Allocation	Fund	Benchmark
<b>What Helped:</b>		<b>What Hurt:</b>		Health care	26.80	25.48
Port of Tauranga	NH	Pushpay Holdings	OW	Utilities	20.34	19.90
Kiwi Property Group	NH	Meridian Energy	UW	Industrials	20.06	21.92
Infratil	OW	Ingenia Communities	OW	Communication services	12.34	9.87
OW: overweight; UW: underweight; NH: no holding. *excludes restricted stocks				Real Estate	6.35	9.38
<b>Top 10 Holdings</b>				Consumer staples	3.72	4.95
Fisher & Paykel Healthcare	13.15%	Contact Energy	6.35%	Information technology	2.86	1.65
Spark New Zealand Ltd	8.00%	EBOS Group Limited	5.88%	Consumer discretionary	2.80	2.89
Mainfreight Limited	6.72%	Fletcher Building Ltd	5.71%	Financials	1.75	2.42
Auckland International Airport	6.71%	Meridian Energy Ltd	4.41%	Energy	1.57	1.54
Infratil Limited	6.70%	Summerset Group	3.47%	Cash and cash equivalents	0.71	0.00
				Materials	0.70	0.00
				<b>Number of holdings</b>	<b>38</b>	<b>50</b>

## Market Commentary

Global equity markets were generally down over February with COVID-19, inflation concerns, company earnings and the invasion of Ukraine all having an impact. The Omicron variant of COVID-19 progresses at differing stages with some economies opening up and others at the early stage with workforces heavily impacted. Inflation continues to be a concern for central banks with a number raising or expected to raise interest rates. The invasion of Ukraine by Russia late in the month followed by severe sanctions created market volatility. Reporting season in New Zealand was better than expected albeit outlook statements included a caveat around potential impacts from COVID-19.

## Fund Commentary

The fund ended the month up 1.0%, which was ahead of the index return. The largest positive contributors to relative return were nil holdings in Port of Tauranga (POT), Kiwi Property (KPG), and an overweight in **Infratil** (IFT). POT down 5.8%, despite delivering a good result. The stock fell due to the uncertain outlook given potential Covid-19 disruptions and log volumes. KPG down 4.9%, the stock fell as Covid-19 restrictions continue to impact on its properties and disappointed the market by announcing a dividend at the bottom of its previous guidance. IFT up 5.0%, the stock rose following a positive investor update which provided considerable extra detail on their alternate energy development opportunities in the portfolio, as well as data-centre ambitions.

The largest negative contributors to relative return were a nil holding in restricted stock SkyCity (SKC), an overweight in **Pushpay** (PPH) and an underweight in **Meridian** (MEL). Restricted stock SKC up 8.4%. PPH down 13.9%, the stock fell as technology stocks continue to be out of favour, as rates rise, and market volatility remains elevated. MEL up 14.6%, the stock rose as the Tiwai aluminium smelter CEO suggested it might not close as scheduled in 2024.

Key portfolio changes during the month included exiting Precinct Property (PCT). Adding to positions in **Charter Hall Group** (CHC), **Auckland International Airport** (AIA) and **Mercury** (MCY). Decreasing positions in **Argosy** (ARG), **Westpac** (WBC) and **Investore** (IPL).

(**Bold** denotes stocks held in the portfolio)

## Key Fund Facts

<b>Distributions</b>		<b>Estimated annual fund charges</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 Launch Date</b>
Foreign currency exposures may be hedged to NZD at the Manager's discretion within an operational range of 0% to 105%.		0.29% / 0.29%	January 2008
Currently the fund's foreign currency exposure is unhedged.		<b>Strategy size</b>	\$67.6m

## Compliance

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

## Contact Us

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

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