

Factsheet 31 May 2022

NIKKO AM CORE EQUITY STRATEGY

Assets are held in the Nikko AM Wholesale Core Equity Fund. The Nikko AM Core Equity Fund (retail) invests in units in the wholesale fund which the commentary refers to.

Market Overview

- Global equity markets were mixed in May with inflation, increasing interest rates, earnings results and the war in Ukraine having an impact.
- The United States S&P 500 index was flat, the Japanese Nikkei 225 index rose 1.6%, the UK FTSE 100 index gained 0.8%, the Australian ASX 200 index declined 2.6% and the MSCI World index ended the month up 0.3%.
- The S&P/NZX 50 index ended the month down 4.8%.

Fund Highlights

- The fund ended down 4.6% which was 0.2% ahead of the index.
- A number of the fund's holdings reported results for the period ending March.
- The Z Energy takeover settled during the month.
- Overweight positions Pushpay Holdings, Aristocrat Leisure and Channel Infrastructure and an underweight position in Air New Zealand added value.
- Overweight positions in Fletcher Building and Summerset and an underweight position in Ryman Healthcare detracted from value.

Performance

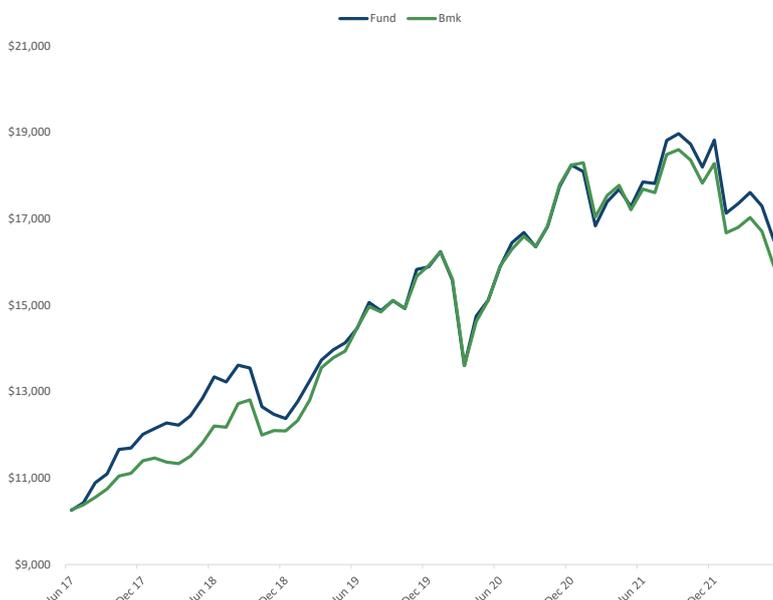
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-4.57%	-4.87%	-4.51%	5.31%	10.54%	14.73%
Benchmark ²	-4.81%	-5.31%	-7.55%	4.50%	9.73%	13.69%
Retail ³	-4.63%	-5.06%	-5.34%	4.32%	9.36%	13.36%

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.

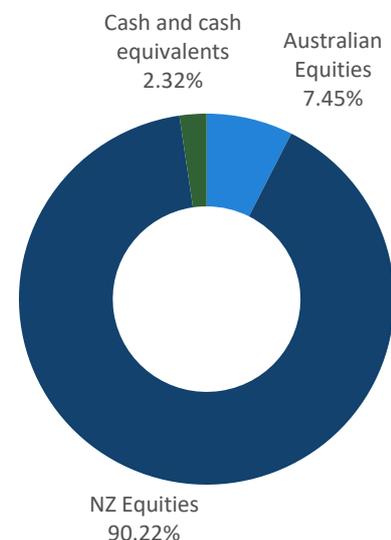
Overview

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:	
Air New Zealand Ltd	NH	Ryman Healthcare Ltd	UW
Pushpay Ltd	OW	Fletcher Building Ltd	OW
Channel Infrastructure NZ Ltd	OW	Summerset Ltd	OW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	10.24	Contact Energy Limited	6.55
Spark New Zealand Ltd	8.87	EBOS Group Limited	6.25
Infratil Limited	7.33	Fletcher Building Ltd	5.37
Mainfreight Limited	7.14	Meridian Energy Ltd	3.95
Auckland International Airport Ltd	6.84	Summerset Group Ltd	3.81

Sector Allocation (% of fund)	Fund	Benchmark
Health care	25.50%	24.01%
Utilities	20.10%	20.39%
Industrials	19.34%	22.76%
Communication services	13.30%	11.12%
Consumer discretionary	5.37%	3.08%
Information technology	4.10%	2.02%
Consumer staples	3.71%	4.72%
Real estate	3.67%	9.35%
Cash and cash equivalents	2.32%	0.00%
Energy	1.21%	0.00%
Materials	0.86%	0.00%
Financials	0.52%	2.55%
Number of holdings	34	50

Market Commentary

Inflation continues to be front of mind with a number of Central Banks including the Reserve Banks of New Zealand and Australia, the Bank of England and the US Federal Reserve all increasing cash rates over the month. Earnings results were mixed with tech stocks disappointing leading to Serko, EROAD and Pacific Edge falling 29%, 24.8% and 21.1% respectively. On the last day of the month the MSCI Index removed Ryman along with an index rebalance which saw some large flows and price movements in particular stocks.

Fund Commentary

The fund ended the month down 4.6% and 0.2% ahead of the index return. The largest positive contributors to relative return were overweight positions **Pushpay Holdings** (PPH), **Channel Infrastructure** (CHI) and **Aristocrat Leisure** (ALL) and an underweight (nil) position in Air New Zealand (AIR). PPH rallied ~10% during the month after two investors announced they had secured a combined stake of 20.3% and they were developing a proposal to acquire PPH's shares via a scheme of arrangement. At its annual shareholder meeting CHI confirmed they are tracking in line with expectations on the refinery terminal conversion costs and ended the month up 3.7%. ALL announced a strong first half result, beating market expectations and launching a \$500m share buyback, all of which supported the share in an otherwise negative market. Z Energy delisted from the market last month, but the payment was made during May which resulted in outperformance relative to the market which fell. AIR continues to digest its recent capital raising and fell 27.7%.

The largest negative contributors to relative return were overweight positions in **Fletcher Building** (FBU) and **Summerset** (SUM) and an underweight position in **Ryman Healthcare** (RYM). Despite providing a positive market update early in May, FBU fell 12.4% on negative sentiment around the housing market. SUM, also impacted by negative housing market sentiment fell 9.7%. Despite being removed from the MSCI index, RYM rose 8.6% as the market had pre-positioned itself for the event.

Key portfolio changes during the month included adding to **Scales** (SCL), **Mainfreight** (MFT), **Auckland International Airport** (AIA), **Ramsay Healthcare** (RHC), **Aristocrat Leisure** (ALL) and **SkyCity Entertainment** (SKC). Reductions were made in **Contact Energy** (CEN), **Meridian Energy** (MEL), **Ryman Healthcare** (RYM) and SUM. Westpac (WBC) and ZEL were removed from the fund.

(**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	
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
		0.29% / 0.29%	\$352m
Exclusions: Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009.			Strategy Launch
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 .			Oct 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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