

Factsheet 31 March 2023

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 had a strong quarter, aided by lower bond yields and shrugging off the concerns around the banking sector following the failure of Silicon Valley Bank.
- The United States S&P 500 index rose 7.0%, the Japanese Nikkei 225 index added 7.5%, the UK FTSE 100 index gained 2.4% the Australian ASX 200 index increased 2.5% and the MSCI World index ended the quarter up 7.0%.
- The S&P/NZX 50 index ended the quarter up 3.9%.

Fund Highlights

- The fund ended the quarter up 4.2%, 0.3% ahead of the benchmark return.
- Restaurant Brands was removed from the S&P/NZX 50 index while Channel Infrastructure was added.
- A number of the fund's holdings reported earnings for the period ended December.
- Ryman Healthcare raised \$902m to reduce debt.
- The takeover offer for Pushpay was voted down but a new offer has been tabled which appears as though it will be successful.
- Overweight positions in Aristocrat Leisure, Channel Infrastructure and Sky Network Television added value. Overweight positions in Ingenia Communities and Ryman Healthcare an underweight position in Fisher & Paykel Healthcare detracted from value.

Performance

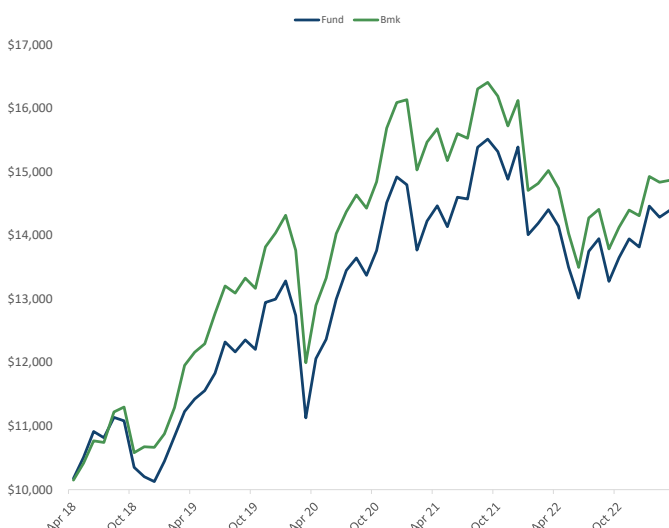
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	0.75%	4.18%	-0.07%	8.95%	7.56%	12.61%
Benchmark ²	0.21%	3.89%	-1.02%	7.41%	8.26%	11.52%
Retail ³	0.69%	3.94%	-1.00%	7.99%	6.53%	11.29%

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. 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.

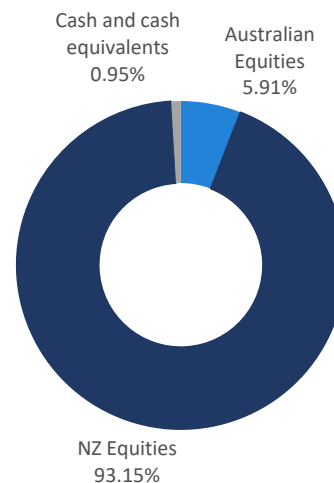
Overview

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 (quarter)			
What Helped:		What Hurt:	
Aristocrat Leisure Ltd	OW	Ryman Healthcare	OW
Channel Infrastructure	OW	Ingenia Communities	OW
Sky Network Television	OW	Fisher & Paykel Healthcare	UW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	12.65	EBOS Group Limited	5.74
Spark New Zealand Ltd	9.62	Mainfreight Limited	5.41
Infratil Limited	8.19	Meridian Energy Ltd	4.45
Auckland International Airport Ltd	7.91	The A2 Milk Company Ltd	4.32
Contact Energy Limited	7.14	Ryman Healthcare Ltd	3.78

Sector Allocation (% of fund)	Fund	Benchmark
Health care	27.23	24.77
Utilities	22.64	21.89
Industrials	16.23	22.11
Communication services	14.58	11.40
Information technology	4.65	1.53
Consumer staples	4.64	4.88
Consumer discretionary	4.09	2.31
Real estate	2.69	8.18
Energy	1.22	0.30
Materials	1.07	0.39
Cash and cash equivalents	0.95	0.00
Financials	0.00	2.23
Number of holdings	33	50

Market Commentary

Global equity markets had a strong quarter, aided by lower bond yields, the reopening of China and shrugging off the concerns around the banking sector following the failure of Silicon Valley Bank. Key central banks lifted cash rates during the quarter as they continue their battle with inflation. Investors are looking for signals that rate increases have taken rates near to or are at their peak. Central banks are talking a tough game and will do whatever is necessary to get inflation back to target ranges. While the failure of Silicon Valley Bank sent ripples through the financial sector, the strong response from US regulators limited the impact. In results we have seen good revenue growth but offset by increased operating expenses and interest costs.

Fund Commentary

The fund ended the quarter up 4.2%, 0.3% ahead of the benchmark return. The largest positive contributors to relative return were overweight positions in **Aristocrat Leisure** (ALL), **Channel Infrastructure** (CHI) and **Sky Network Television** (SKT). ALL rose 21.9% (in AUD), assisted by announcing an extension and increase in its share buyback. SKT ended the quarter up 13.2% after reporting a solid result and also announced a share buyback. CHI rose 12.7% after it reported a good result, benefits from contracts linked to the Producer Price Index and was also added to the S&P/NZX 50 index. The largest negative contributors to relative return were from overweight positions in **Ingenia Communities** (INA) and **Ryman Healthcare** (RYM) and an underweight position in **Fisher & Paykel Healthcare** (FPH). INA fell 14.6% (in AUD) after downgrading earnings guidance due to lower home deliveries in the period. The fund participated in RYM's large capital raising and went from underweight to overweight but at a price above where the stock ended the quarter and as a result detracted from performance. FPH announced revenue guidance that was better than the market was expecting, adding 17.9% over the quarter.

Key portfolio changes during the month included adding to positions in RYM, **Allkem** (AKE), SKT, **Pushpay** (PPH), **Restaurant Brands** (RBD) and **A2 Milk** (ATM). Positions were reduced in ALL, **Fletcher Building** (FBU), **Auckland International Airport** (AIA), **Scales** (SCL), **EBOS** (EBO), **Mainfreight** (MFT), **Waypoint REIT** (WPR) and **Infratil** (IFT). The fund's holding in **Vulcan Steel** (VSL) was divested.

(**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 0.29% / 0.29%
	Strategy size \$337m
	Strategy Launch Oct 2007
Exclusions: Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).	
Restrictions: Tobacco stocks, 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 quarter.

Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute financial advice and must not be relied on as such. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given, and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.