

Factsheet 30 April 2023

# 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 continued their strong start to the year with all key indices moving higher apart from the Chinese market.
- The United States S&P 500 index rose 1.5%, the Japanese Nikkei 225 index added 2.9%, the UK FTSE 100 index gained 3.1% the Australian ASX 200 index increased 1.9% and the MSCI World index ended the month up 1.4%.
- The S&P/NZX 50 index ended the month up 1.1%.

## Fund Highlights

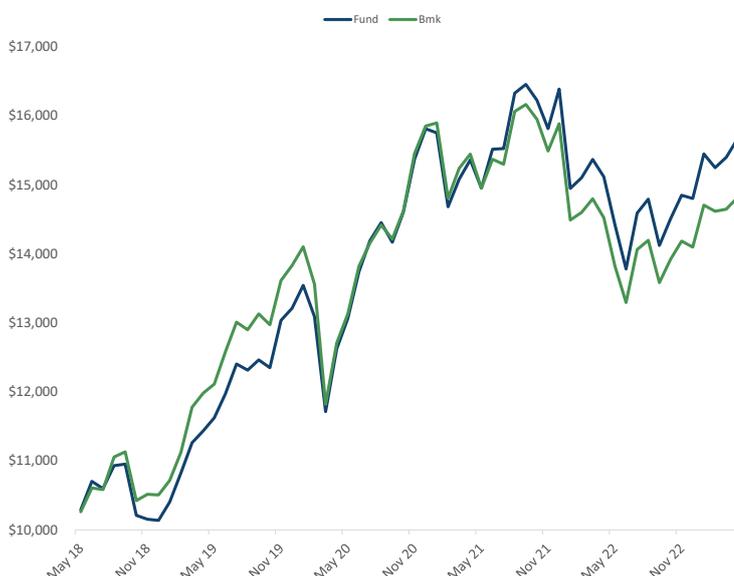
- The fund ended the month up 1.7% and ahead of the index return.
- It was a quiet month for news flow ahead of May when a number of the fund's holdings will report results for the period ending March.
- The long running takeover offer for Pushpay has concluded with the second vote getting over the line that will see Pushpay delist in May.
- Overweight positions Restaurant Brands, Infratil and Ingenia Communities added value.
- Overweight positions Summerset, A2 Milk and Ramsay Healthcare 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>	1.71%	1.38%	3.60%	7.45%	9.39%	13.46%
Benchmark <sup>2</sup>	1.14%	0.73%	2.01%	5.25%	8.18%	11.18%
Retail <sup>3</sup>	1.64%	0.61%	1.81%			
KiwiSaver <sup>3,4</sup>	1.63%	1.14%	2.63%	5.69%	6.67%	

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.

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



## Portfolio Manager

**Michael De Cesare,**

**Portfolio Manager**

Responsible for the SRI Equity Fund. Covers the Consumer Discretionary and Consumer Staples sectors. Over 12 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.



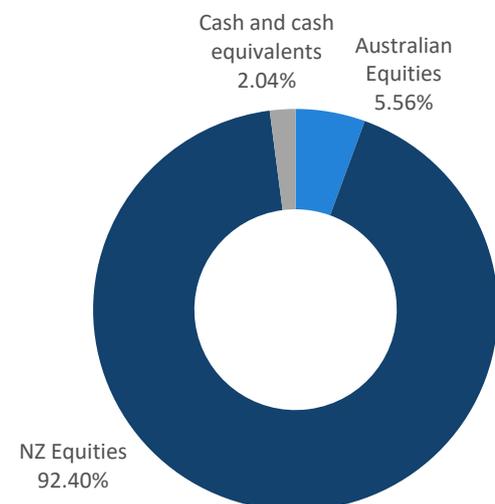
## Overview

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.

## Asset Allocation



## NIKKO AM SRI EQUITY STRATEGY

Attribution to Performance (for the month)				Sector Allocation	Fund	Benchmark
<b>What Helped:</b>		<b>What Hurt:</b>		Health care	26.32	24.66
Restaurant Brands Ltd	OW	Summerset Ltd	OW	Utilities	23.67	22.09
Infratil Ltd	OW	The A2 Milk Company Ltd	OW	Industrials	17.16	22.20
Ingenia Communities	OW	Ramsay Healthcare Ltd	OW	Communication services	15.13	11.64
OW overweight; UW underweight; NH no holding; RS restricted stock.				Consumer staples	4.50	4.57
<b>Top 10 Holdings (% of fund)</b>				Information technology	4.45	1.49
Fisher & Paykel Healthcare	12.78	EBOS Group Limited	5.50	Real estate	2.63	8.09
Spark New Zealand Ltd	10.14	Mainfreight Limited	5.21	Cash and cash equivalents	2.04	0.00
Infratil Limited	8.77	Meridian Energy Ltd	4.37	Consumer discretionary	1.56	2.28
Auckland Internat. Airport	8.15	The A2 Milk Company Limited	4.24	Materials	1.06	0.41
Contact Energy Limited	7.31	Ryman Healthcare Ltd	3.62	Energy	1.04	0.29
				Financials	0.44	2.27
				<b>Number of holdings</b>	<b>35</b>	<b>50</b>

## Market Commentary

Global equity markets continued their strong start to the year with all key indices moving higher apart from the Chinese market. Markets are forward looking and while they are pricing in rate hikes from most central banks in the near term, by the end of the year rate cuts are being priced in. This, along with a good reporting season from in the United States has supported equity markets. Inflation globally has been drifting down albeit it remains at very elevated levels. New Zealand inflation for the March quarter came in lower than expected at 6.7% but non-tradable inflation was 6.8%, the highest since the series began in 1999. The New Zealand Reserve Bank surprised the market by hiking the Official Cash Rate by 0.5% compared to expectations of a 0.25% increase.

## Fund Commentary

The fund ended the month up 1.7%, which was ahead of the index return. The largest positive contributors to relative return were overweight positions **Restaurant Brands (RBD)**, **Infratil (IFT)** and **Ingenia Communities (INA)**. RBD increased by 14.3%, they released their 1Q23 trading update, which revealed strong revenue growth at the group level compared to the same period last year. New Zealand, Australia and Hawaii exhibited positive same-store-sales (all regions ex California). The main driver of the revenue growth came from higher prices across menu items. Providing an added layer of confidence to management's claims that they can offset a material portion of the inflationary cost pressures over time. IFT increased by 3.8% as they continued to perform well following their positive and well attended investor day, (occurred end of March). In addition, the company announced that One NZ (previously Vodafone NZ) will provide mobile coverage via Starlink, Elon Musk's SpaceX satellite business. INA increased by 13.3%. Australian residential exposed stocks performed well over the month. With Australian residential house prices and volumes showing signs of reaching an inflection point, alongside stronger migration forecasts.

The largest negative contributors to relative return were overweight positions **Summerset (SUM)**, **A2 Milk Company (ATM)** and **Ramsay Healthcare (RHC)**. SUM decreased by 7.5% following the release of their 1Q23 operating metrics which were relatively soft. Sales were a little weak. Unit delivery came in below expectations although management maintain their view that they will reach their full-year target. ATM decreased by 5.5%. ATM's supplier Synlait Milk announced a large downgrade to earnings guidance for FY23. ATM subsequently provided its own update which included only minor changes to its forecasts. The company is now expecting revenue growth at the low end of what had been indicated prior, while still expecting profit margins to be similar to FY22. RHC decreased 2.8% - drifting lower over the month on no specific news.

Key portfolio changes during the month included increased positions in **Auckland Airport (AIA)** and **Summerset (SUM)**. In addition to reduced positions in **ANZ Bank (ANZ)** and **Scales Corp (SCL)**. (**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

**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.

**Exclusions:** Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).

**Restrictions:** Tobacco stocks, fossil fuels, adult entertainment, alcohol and gambling. 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>.

### Estimated annual fund charges

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 Launch Date	Strategy size
0.29% / 0.29%	January 2008	\$68m

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

## Contact Us

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