

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 performance was mixed over the month with earnings results affecting specific stocks while interest rate moves drove the broader market.
- The United States S&P 500 index rose 0.3%, the Japanese Nikkei 225 index jumped 7.0%, the UK FTSE 100 index fell 5.4% the Australian ASX 200 index lost 2.5% and the MSCI World index ended the month down 0.3%.
- The S&P/NZX 50 index ended the month down 1.7%.

Fund Highlights

- The fund ended the month down 0.6%.
- A number of the fund's holdings reported results for the period ended 31 March.
- The Pushpay takeover was concluded with its delisting from the NZX and payment received by the fund for its holding.
- NextDC completed a \$618m capital raise to fund new data centres.
- Overweight positions in Allkem, Infratil and Ryman Healthcare added value.
- Overweight positions in Ramsay Healthcare, Restaurant Brands and a nil holding in Oceania 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	-0.59%	2.10%	7.95%	6.02%	8.64%	13.62%
Benchmark ²	-1.68%	-0.36%	5.36%	3.52%	7.26%	11.23%
Retail ³	-0.68%	1.30%	6.04%			
KiwiSaver ^{3,4}	-0.67%	1.86%	6.94%	4.61%	5.99%	

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^{1,2}



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.

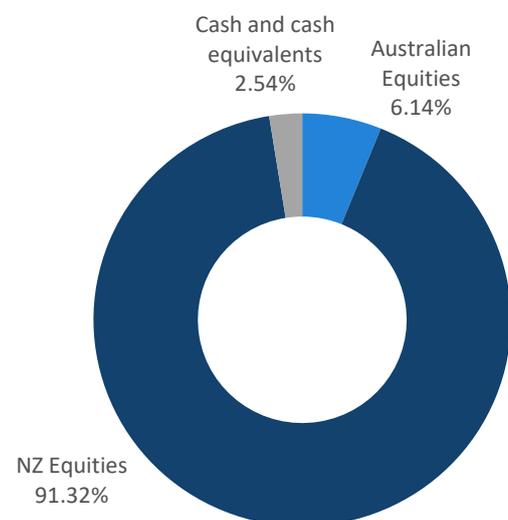
Overview

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



Attribution to Performance (for the month)			
What Helped:		What Hurt:	
Allkem	OW	Ramsay Healthcare	OW
Infratil	OW	Oceania Healthcare	NH
Ryman Healthcare	OW	Restaurant Brands	OW
OW overweight; UW underweight; NH no holding; RS restricted stock.			
Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	10.83	EBOS Group	5.75
Spark New Zealand	10.28	Mainfreight	5.33
Infratil	9.32	Meridian Energy	4.66
Auckland Intl. Airport	8.22	The A2 Milk	4.38
Contact Energy	7.37	Ryman Healthcare	4.12

Sector Allocation	Fund	Benchmark
Health care	25.83	23.72
Utilities	24.68	22.97
Industrials	17.45	22.89
Communication services	15.35	11.66
Consumer staples	4.59	4.63
Real estate	3.24	8.21
Cash and cash equivalents	2.54	0.00
Information technology	1.70	0.52
Consumer discretionary	1.55	2.46
Materials	1.43	0.40
Energy	1.22	0.30
Financials	0.42	2.25
Number of holdings	34	50

Market Commentary

Global equity markets performance was mixed over the month with earnings results affecting specific stocks while interest rate moves drove the broader market. The New Zealand earnings results were generally in line with expectations with a couple of exceptions. Fisher & Paykel Healthcare disappointed the market with its outlook and given its large weight in the index it was a material contributor to the S&P / NZX 50 index's negative month. On monetary policy, most key central banks raised rates over the month with the US Federal Reserve, the European Central bank, the Bank of England, the Reserve Bank of Australia and the Reserve Bank of New Zealand all raising their official cash rates by 0.25%. Both the RBA and the RBNZ surprised the market with their moves with the RBA not expected to raise their rate while the RBNZ stuck to their previously guided peak cash rate where the market had started pricing a higher peak rate.

Fund Commentary

The fund ended the month down 0.6%. The largest positive contributors to relative return were **overweight positions in Allkem (AKE), Infratil (IFT) and Ryman Healthcare (RYM)**. AKE announced a merger agreement with Livent, a lithium miner and processor listed on the NYSE which should deliver material synergies and diversification. AKE rose 21.2% (in AUD) over the month. IFT announced a good earnings result and outlook which saw the stock gain 6.5% over the period. RYM, rose 19.8% on the back of a better result than expected along with improving housing market sentiment.

The largest negative contributors to relative return were from **overweight positions in Ramsay Healthcare (RHC), Restaurant Brands (RBD) and a nil / underweight position in Oceania Healthcare (OCA)**. RHC's third quarter trading update was weaker than market expectations and as a result the stock fell 11.3% (in AUD). RBD decreased by 7.9%, following their Annual General Meeting which revealed profit margin restoration post Covid is tracking behind schedule. There was nothing special in OCA's result, but it was dragged along by the improving residential market sentiment and rose 21.7% over the month.

Key portfolio changes during the month included increases in **NextDC (NXT)** and **Channel Infrastructure (CHI)** and decreases in **Scales (SCL)** and **Freightways (FRE)**. (**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	\$67.7m

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

Contact Us

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