

# Nikko AM Core Equity Strategy

Monthly Update 31 October 2023

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 dropped over the month as economic data and the Gaza conflict drove bond yields higher.
- The United States S&P 500 index fell 2.2%, the Japanese Nikkei 225 declined 3.1%, the UK FTSE 100 index declined 3.8%, the Australian ASX 200 index declined 3.8% and the MSCI World index declined 2.7% (in local terms).
- The S&P/NZX 50 index had a tough month ending down 4.8%.

## Fund Highlights

- The fund ended the month down 4.1%, 0.7% ahead of the index return.
- Fletcher Building rebutted accusations from a Western Australian building company that plumbing pipes produced and supplied by Fletcher Building were failing due to manufacturing issues.
- Sky Network Television announced that they have received a highly conditional non-binding indication of interest to acquire the company.
- Overweight positions in Sky Network Television and Spark and an underweight position in Port of Tauranga added value. Overweight positions in Allkem and Ryman Healthcare and an underweight position in Stride Property detracted from value.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	-4.08%	-9.62%	-1.92%	-0.92%	5.28%	10.47%
<b>Benchmark<sup>2</sup></b>	-4.77%	-10.43%	-4.26%	-3.05%	5.03%	9.26%
<b>Retail<sup>3</sup></b>	-4.16%	-9.80%	-2.81%	-1.80%	4.29%	9.22%

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<sup>1,2</sup>



## Portfolio Manager

**Michael Sherrock,  
Head of Equities**



Michael joined Nikko AM in 2006 and covers the Property, Energy, Materials, Metals and Mining and Media sectors. He has over 20 years' experience and previously held roles with Schroders UK and ASB Group Investments. Michael is a CFA charterholder and holds a Bachelor of Commerce degree from the University of Auckland.

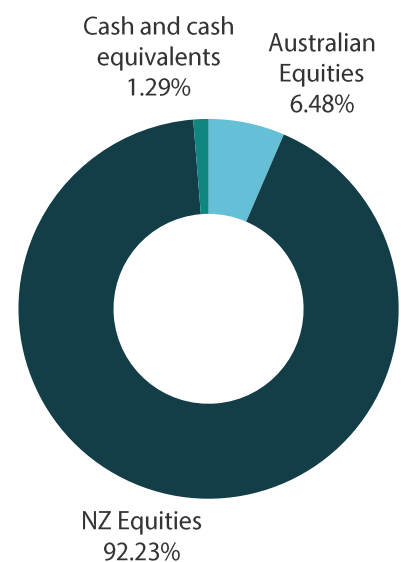
## Overview

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				Sector Allocation (% of fund)		
<b>What Helped:</b>		<b>What Hurt:</b>		Utilities	26.82	24.93
Sky Network TV	OW	Allkem	OW	Health care	25.98	23.07
Spark NZ	OW	Ramsay Healthcare	OW	Communication services	16.15	11.88
Port of Tauranga	NH	Stride Property	NH	Industrials	15.78	21.82
OW: overweight; UW: underweight; NH: no holdings				Consumer discretionary	3.60	2.28
<b>Top 10 Holdings (% of fund)</b>				Consumer staples	3.01	3.80
Fisher & Paykel Healthcare	11.01	Meridian Energy	5.00	Real estate	2.77	8.27
Infratil	10.89	EBOS	4.98	Information technology	2.23	0.69
Spark New Zealand	10.69	Mainfreight	4.54	Cash and cash equivalents	1.29	0.00
Auckland International Airport	8.46	Ryman Healthcare	4.47	Materials	1.20	0.47
Contact Energy	7.93	Summerset	3.69	Energy	1.17	0.33
				Financials	0.00	2.45
				<b>Number of holdings</b>	<b>29</b>	<b>50</b>

## Market Commentary

Global equity markets dropped over the month as economic data and the Gaza conflict drove bond yields higher. In Australia a higher-than-expected consumer price index figure and strong retail sales led to the market starting to price in an increase in their cash rate. In the United States a good Gross Domestic Product number was reported while in Europe the European Central Bank left their cash rate unchanged but spoke to rates needing to be high for a prolonged period. All of this, along with a flight to quality and safety due to the Gaza conflict, saw the US 10-year bond end the month at 4.93%, up more than 1% since the start of the year. Similar moves have been seen in the NZ and Australian 10-year rates with them ending the month at 5.55% and 4.92% respectively.

## Fund Commentary

The largest positive contributors to the fund's relative return were overweight positions in **Sky Network Television (SKT)** and **Spark (SPK)** and an underweight position in Port of Tauranga (POT). SKT announced that it had received a non-binding indication of interest to acquire the company and as a result SKT rose 16.1% over the month. SPK rose 3.3% on no specific news albeit it does have a share buy-back in place. POT fell 13.3% after a disappointing update which saw guidance below market expectations.

The largest negative contributors to our relative return were from overweight positions in **Allkem (AKE)** and **Ryman Healthcare (RYM)** and an underweight position in Stride Property (SPG). Despite acceptable operating numbers for the quarter, AKE fell 18.9% as it continues to be dragged down by weak lithium prices. RYM lost 10.0% on no specific news while SPG rose 7.1% with a strong performance (4.6%) on the last day of the month, again on no specific news.

Key portfolio changes during the month included adding to our position in **Summerset (SUM)** while reducing positions in **A2 Milk (ATM)**, **Aristocrat Leisure (ALL)** and **Fletcher Building (FBU)**.

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

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Exclusions:</b>	Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).	<b>Strategy Launch:</b>	October 2007
<b>Wholesale:</b>	Negotiated outside of the unit price.	<b>Restrictions:</b>	Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .	<b>Strategy size:</b>	\$293.2m
<b>Retail:</b>	0.95%, refer to PDS for more details.			<b>Buy / Sell spread:</b>	0.29%/0.29%
<b>Distributions</b>	Calendar quarter				
<b>Wholesale:</b>	March and September				
<b>Retail:</b>					

## Compliance

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

## Contact Us

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