

# Nikko AM Core Equity Strategy

Monthly Update 31 May 2025

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 delivered strong returns over the month as certain US tariffs were paused, countries and companies continued to assess the impacts of the tariffs along with earnings results announcements for the period ending March.
- The United States S&P 500 index rose 6.2%, the Japanese Nikkei 225 increased 5.3%, the UK FTSE 100 index added 3.3%, the Australian ASX 200 index gained 4.2% and the MSCI World index ended the month up 5.6% (in local terms).
- The S&P/NZX 50 index ended the month up 4.3%.

## Fund Highlights

- The fund ended the month up 4.0%, 0.3% behind the index return.
- Earnings guidance updates and company results for the period ended 31 March dominated news flow and share price performance.
- An EBOS shareholder sold a large parcel of shares equivalent to 13.2% of the company with a value of \$950m.
- The Commerce Commission granted approval for Contact Energy's acquisition of Manawa Energy.
- Overweight positions in Mainfreight, Channel Infrastructure and Sky Network Television added value.
- Overweight positions in Ryman Healthcare, Sky City Entertainment and Serko detracted from value.

## Performance

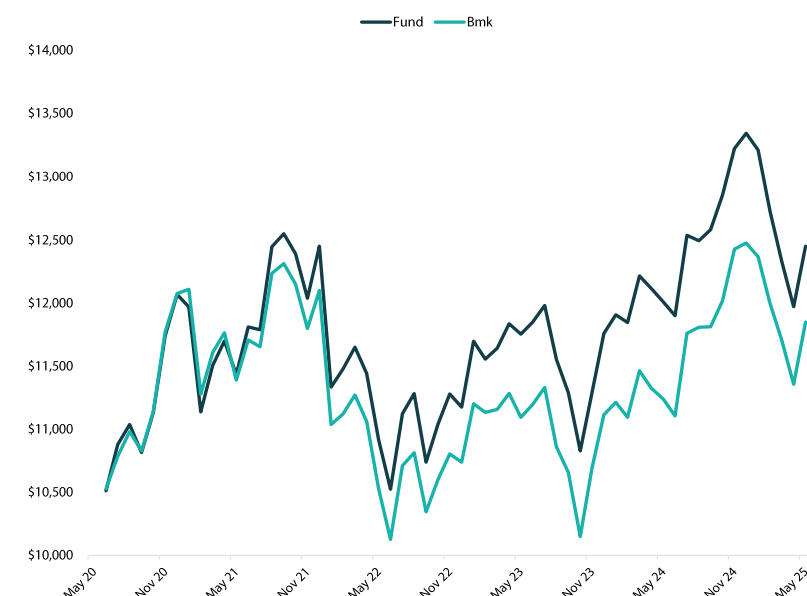
	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	4.01%	-2.19%	3.68%	4.47%	4.48%	9.62%
<b>Benchmark<sup>2</sup></b>	4.34%	-1.24%	5.43%	4.01%	3.45%	8.83%
<b>Retail<sup>3</sup></b>	3.90%	-2.39%	2.74%	3.50%	3.55%	8.46%

1. Returns are before tax and before the deduction of fees and including tax credits (if any).

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 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.



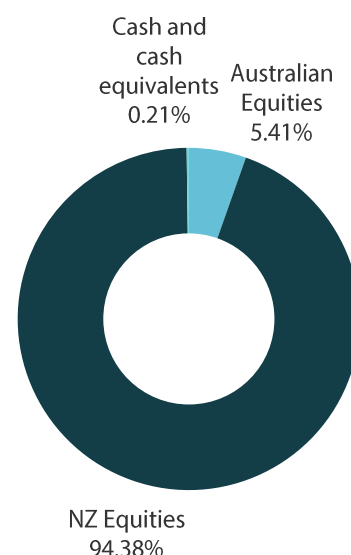
## Overview

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)	Fund	Benchmark
<b>What Helped:</b>		<b>What Hurt:</b>		Health care	29.93	25.78
Mainfreight	OW	Ryman Healthcare	OW	Industrials	19.15	22.43
Channel Infrastructure	OW	SkyCity Entertainment	OW	Utilities	15.98	16.77
Sky Network Television	OW	Serko	OW	Financials	9.83	10.64
OW: overweight; UW: underweight; NH: no holdings				Communication services	8.75	6.40
Top 10 Holdings (% of fund)				Consumer staples	5.74	6.41
Fisher & Paykel Healthcare	17.27	Mainfreight	5.26	Real estate	4.89	7.30
Infratil	9.83	EBOS	4.98	Information technology	2.07	1.83
Auckland International Airport	9.38	A2 Milk	4.83	Consumer discretionary	1.84	1.47
Contact Energy	7.31	Spark NZ	4.71	Energy	1.62	0.61
Meridian Energy	6.31	Summerset Holdings	3.94	Cash and cash equivalents	0.21	0.00
				Materials	0.00	0.36
				<b>Number of holdings</b>	<b>32</b>	<b>50</b>

## Market Commentary

Global equity markets rallied strongly over May recovering from the disruption in April after the United States announced large and widespread tariffs on goods imported into the country. Investors took some confidence in markets following President Trump pausing certain tariffs albeit at this stage the President remains steadfast in his position. Companies reporting their earnings for the period ending March also played a major part in the performance of equity markets. Central banks continue to reduce interest rates with both the Reserve Banks of Australia and New Zealand cutting rates by 0.25%. The Reserve Bank of New Zealand has now cut rates by 2.25% from its peak. Markets were somewhat surprised by the RBNZ's statement where they were more hawkish than expected and also disclosed that one of the six voting members voted for no change to the Official Cash Rate. Earnings results for New Zealand companies were generally good versus market expectations.

## Fund Commentary

The largest positive contributors to the fund's relative return were overweight positions in **Mainfreight** (MFT), **Channel Infrastructure** (CHI) and **Sky Network Television** (SKT). Following a weak start to the year, down 24.5% to the end of April, MFT bounced back in May, up 26.6% over the month. The weakness in MFT's share price had been driven by investors' concerns around the impact tariffs would have on its business. MFT's earnings result was better than the markets expectation and helped drive the share price up in May. At its Annual Shareholder Meeting CHI announced they were increasing their payout ratio going forward which will see increased dividends to shareholders. This increased dividend outlook resulted in CHI increasing by 12.1% over the month. On no specific news, SKT rose 8.9% over the period.

The largest negative contributors to relative return were from overweight positions in **Ryman Healthcare** (RYM), **Sky City Entertainment** (SKC) and **Serko** (SKO). Following its \$1b capital raise in February, RYM's share price continues to struggle. Investors were hopeful that RYM would provide a positive update on unit sales in its earnings result, unfortunately that wasn't delivered, further, a larger-than-expected asset devaluation was delivered. This saw RYM deliver a -5.0% return over the month. While not reporting a result during the month, SKC announced a downgrade to its earnings guidance as it continues to be impacted by the weak NZ economy and increased compliance costs. SKC fell 17.4% over the month. While SKO reiterated its medium-term revenue aspiration of \$250m by 2030, its earnings result for this period disappointed along with its guidance for the next financial year. This resulted in SKO falling 16.7% in May.

Key portfolio changes during the month included adding to our positions in **Aristocrat Leisure** (ALL), **EBOS** (EBO), **Kiwi Property** (KPG), and **Spark** (SPK). Positions in **ResMed** (RMD), **Contact Energy** (CEN), **Ingenia Communities** (INA) and **Waypoint REIT** (WPR) were reduced. The funds holding in Heartland Bank (HGH) was divested. (**Bold** denotes stocks held in the portfolio).

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Exclusions:</b>	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).  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 Launch:</b>	October 2007
<b>Wholesale:</b>	Negotiated outside of the unit price.			<b>Strategy size:</b>	\$275.7m
<b>Retail:</b>	0.95%, refer to PDS for more details.			<b>Buy / Sell spread:</b>	0.29%/0.29%
<b>Distributions</b>					
<b>Wholesale:</b>	Calendar quarter				
<b>Retail:</b>	March and September				

## Compliance

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

## Contact Us

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