

Nikko AM SRI Equity Strategy

Monthly Update 31 May 2025

Assets are held in the Nikko AM Wholesale SRI Equity Fund. The Nikko AM SRI Equity Fund (retail) and the GoalsGetter KiwiSaver Scheme Nikko AM SRI Equity Fund invest 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 4.6%, 0.3% ahead of 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 and Channel Infrastructure and an underweight position in Sky City Entertainment added value. Overweight positions in Ryman Healthcare and Infratil and an underweight position in Manawa Energy detracted from value.

Performance

| | One month | Three months | One year | Three years (p.a.) | Five years (p.a.) | Ten years (p.a.) |
|------------------------------|-----------|--------------|----------|--------------------|-------------------|------------------|
| Wholesale¹ | 4.61% | -1.43% | 5.04% | 5.03% | 5.05% | 10.63% |
| Benchmark² | 4.34% | -1.24% | 5.43% | 4.01% | 3.45% | 8.83% |
| Retail³ | 4.48% | -1.64% | 3.94% | 4.00% | | |
| KiwiSaver⁴ | 4.47% | -1.64% | 3.81% | 3.97% | 3.77% | |

- Returns are before tax and before the deduction of fees and including tax credits (if any).
- Benchmark: S&P/NZX 50 Index Gross (with Imputation Credits). No tax or fees.
- Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).
- 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 Communications, Transport, and Consumer Staples sectors. Over 15 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.



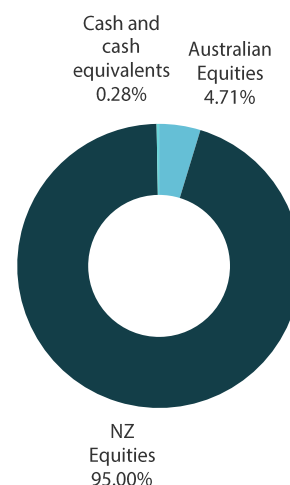
Overview

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 | | | |
|----------------------------|----|-------------------|----|
| What Helped: | | What Hurt: | |
| Sky City Entertainment | NH | Ryman Healthcare | OW |
| Mainfreight | OW | Infratil | OW |
| Channel Infrastructure | OW | Manawa Energy | NH |

OW: overweight; UW: underweight; NH: no holdings; RS: restricted stock

| Top 10 Holdings (% of fund) | | | |
|-----------------------------|-------|-------------|------|
| Fisher & Paykel Healthcare | 17.17 | Mainfreight | 5.52 |
| Infratil | 9.87 | A2 Milk | 4.60 |
| Auckland Intl Airport | 9.29 | EBOS | 4.57 |
| Contact Energy | 6.86 | Spark NZ | 4.48 |
| Meridian Energy | 6.35 | Summerset | 3.68 |

| Sector Allocation (% of fund) | Fund | Benchmark |
|-------------------------------|-----------|-----------|
| Health care | 29.05 | 25.78 |
| Industrials | 21.07 | 22.43 |
| Utilities | 15.26 | 16.77 |
| Financials | 9.87 | 10.64 |
| Communications services | 8.39 | 6.40 |
| Real estate | 6.72 | 7.30 |
| Consumer staples | 5.78 | 6.41 |
| Information technology | 1.99 | 1.83 |
| Energy | 1.47 | 0.61 |
| Cash and cash equivalents | 0.28 | 0.00 |
| Consumer discretionary | 0.10 | 1.47 |
| Materials | 0.00 | 0.36 |
| Number of holdings | 32 | 50 |

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) and **Channel Infrastructure** (CHI) and an underweight position in Sky City Entertainment (SKC). 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. 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.

The largest negative contributors to relative return were from overweight positions in **Ryman Healthcare** (RYM) and **Infratil** (IFT) and an underweight position in Manawa Energy (MNW). 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. After starting the month with a good share price performance, IFT pulled back following its earnings result and ended the month down 0.1%. IFT's result itself was fine but the guidance for the year ahead disappointed the market with some of the earnings expected in the 2026 financial year coming in the 2027 financial year. Following approval from the Commerce Commission for **Contact Energy's** (CEN) acquisition of MNW, MNW rose 32.0%.

Key portfolio changes during the month included adding to our positions in **Freightways** (FRW), **EBOS** (EBO), **Kiwi Property** (KPG), and **Spark** (SPK), **Stride Property** (SPG), **Fletcher Building** (FBU), **Meridian Energy** (MEL), **ResMed** (RMD) and MFT. The funds holding in Heartland Bank (HGH) was divested. (**Bold** denotes stocks held in the portfolio).

Key Fund Facts

| | | | | | |
|---|---------------------------------------|----------------------------|--|--------------------|--------------|
| Estimated annual fund charges (incl. GST) | | Foreign Currency Exposure: | 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. | Strategy Launch: | January 2008 |
| Wholesale: | Negotiated outside of the unit price. | Exclusions: | Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons). | Strategy size: | \$75.7m |
| Retail: | 0.95%, refer to PDS for more details. | | | Buy / Sell spread: | 0.29%/0.29% |
| KiwiSaver: | 0.95%, refer PDS for more details. | | | | |
| Distributions: | | Restrictions: | Tobacco stocks, fossil fuels, adult entertainment, alcohol and gambling. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://www.nikkoam.co.nz/invest/retail . | | |
| Wholesale: | Calendar quarter | | | | |
| Retail: | March and September | | | | |
| KiwiSaver: | Does not distribute | | | | |

Compliance

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

Contact Us

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