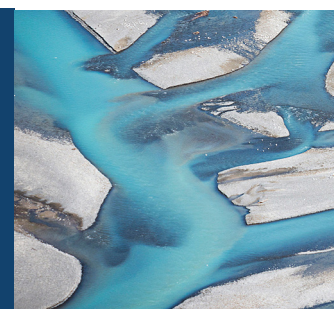


# NIKKO AM CORE EQUITY FUND

## Monthly Fact Sheet

## 30 June 2016



### Investment objective

The objective of the Fund is to construct a portfolio of permitted investments that outperform the Fund's benchmark return by 3.0% per annum over a rolling three year period before fees, expenses and taxes.

### Benchmark

S&P/NZX 50 Index Gross (with Imputation Credits)

### Fund description

The Fund aims to provide investors with an exposure to New Zealand and Australian equity markets from an actively managed investment portfolio with potential for growth of income and capital.

The Fund gains its investment exposures by investing into the Nikko AM Wholesale Core Equity Fund which is managed by the Nikko AM NZ Equity team.

### Distributions

Semi-annual. Last business days of March and September.

### Currency management

Foreign currency exposures created as a consequence of capital markets investment may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%. Currency hedging contracts are held in the Nikko AM Wholesale Core Equity Fund.

### Management fees and other charges

A management fee of up to 0.75% per annum calculated as a percentage of the net asset value of the Fund will be calculated and deducted from the Fund.

Nikko AM may also recover expenses (including the Trustee fee) from the Fund up to a maximum of 0.25% per annum of the Fund's net asset value. Estimate of expenses as at 1 July 2016 are 0.25% per annum.

### Buy/sell spread

0.35% / 0.35%

### Strategic asset allocation

Asset class	Range
Australasian equities, cash and cash equivalents and listed property via the Nikko AM Wholesale Core Equity Fund	95% – 100%
Cash on call for investor transactions	0% – 5%

### Restrictions

Nikko AM Wholesale Core Equity Fund:

- Maximum of 20% Australian listed securities that are not listed on the New Zealand Stock Exchange.
- S&P/NZX 50 Index member maximum portfolio weight permissible is index weight plus 6%. No requirement on the Manager to hold any security at a minimum weight.
- Short sales of investments is not permitted

Refer to the SIPO for full details of permitted investments and restrictions.

### Performance

(NZD returns; before tax, after fees and expenses)

1 month	3 months	6 months	1 year
-2.70%	2.56%	9.44%	20.92%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
17.50%	17.09%	14.86%	12.29%

\* May 2010

### Attribution to performance – June qtr 2016

What helped	What hurt
Air New Zealand	NZ Refining Company Limited
Sky Network TV	Japara Healthcare
Aristocrat Leisure	Z Energy Limited

## Asset allocation (% of fund)

New Zealand equities	89.6%
Australian equities	8.7%
Cash	1.7%

## Sector allocation

	Fund	Index
Consumer discretionary	10.9%	9.8%
Consumer staples	4.8%	3.4%
Energy	6.5%	4.6%
Financials	5.3%	12.9%
Healthcare	24.6%	17.1%
Industrials	12.2%	14.4%
Information technology	1.6%	1.7%
Materials	8.2%	9.1%
Telecommunications	7.9%	10.4%
Utilities	16.3%	16.6%
Cash	1.7%	-

## Top 10 holdings

Fisher & Paykel Healthcare	Infratil Limited
Contact Energy Limited	SkyCity Entertainment Group
Fletcher Building Limited	Summerset Group Holdings
Spark New Zealand Limited	Metlifecare Limited
Auckland International Airport	Restaurant Brands NZ Ltd
<b>Number of holdings</b>	<b>34</b>

## Largest deviations from Index

Overweight	Underweight
Contact Energy	Ryman Healthcare
Summerset Group Holdings	Mighty River Power
Infratil Limited	Kiwi Property Group

## Commentary

The New Zealand market (S&P/NZX 50 Index) was up a modest 2.3% over the quarter while the Australian market (S&P/ASX 200 Index) was stronger at 3.9%. Global equity markets generally posted solid returns for the quarter with the exception of Europe and Japan. In the immediate aftermath of the “leave” decision in the Brexit referendum the New Zealand

equity market fell sharply (-3.4%), although most of this was made back in the final days of the quarter.

**Aristocrat Leisure**, which was introduced during the quarter, rose 28.8% after a strong result driven by solid market share gains in both the US and Australian markets. The company’s innovation and strong research and development pipeline has driven these gains. **Restaurant Brands** continued its positive run from the March quarter and rallied ~14% with a strong earnings result to follow their recently announced acquisition in NSW.

The Fund’s nil position in Air NZ was beneficial as the stock fell 26%. A combination of Air NZ’s previously announced loan to Virgin Australia and announcements from other airlines about further competition on routes, drove the price reduction. Additionally the Fund’s nil position in EBOS added value as the stock drifted lower.

**NZ Refining** fell further over the quarter primarily on a mild deterioration in expected refining margins and hence profits, together with a planned shutdown of the hydrocracker. This detracted from performance materially due to the Fund’s overweight position. We expect the price to improve with confirmation of good operational performance for the remainder of the year.

**Japara Healthcare** fell during the quarter on the release of the Australian Federal Budget. The Budget has been incorrectly interpreted in our opinion and we remain confident of a reasonable medium term return supported by strong demand for aged care beds in Australia.

**Eroad** detracted from performance over the quarter at the company re-organises their North American business and deals with a period of lower business growth despite very supportive regulatory change. The Fund’s underweight position in Ryman Healthcare detracted from performance, especially during June. The performance was somewhat unexpected given usually strong headwinds for FY17.

During the quarter we exited Western Areas, Vista Group, Rio Tinto, Metro Performance Glass and ANZ Bank as our outlook for these stocks became more negative. We successfully traded the Fund’s position in Sky Network Television, ending the quarter with a nil holding. Stocks added during the quarter were **Aristocrat Leisure**, **NextDC** and **Tegal Group Holdings**, which all performed as expected.

(**Bold** denotes stock held in portfolio)

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