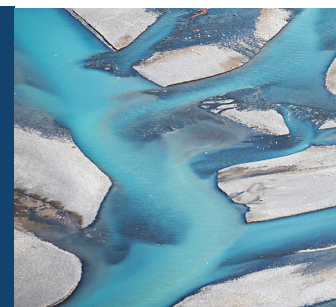


NIKKO AM CORE EQUITY FUND

Monthly Fact Sheet

31 July 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
6.57%	8.49%	20.00%	23.83%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
20.41%	18.51%	16.64%	13.26%

* May 2010

Attribution to performance – July 2016

What helped	What hurt
Ryman Healthcare	New Zealand Refining
Aristocrat Leisure	Restaurant Brands
Ebos	Metlifecare Limited

Asset allocation (% of fund)

New Zealand equities	88.1%
Australian equities	9.1%
Cash	2.8%

Sector allocation

	Fund	Index
Consumer discretionary	11.2%	10.0%
Consumer staples	4.8%	3.3%
Energy	6.3%	4.5%
Financials	5.1%	12.7%
Healthcare	23.4%	16.5%
Industrials	12.2%	14.6%
Information technology	2.1%	1.8%
Materials	8.6%	9.2%
Telecommunications	7.4%	11.0%
Utilities	16.2%	16.3%
Cash	2.8%	-

Top 10 holdings

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

Largest deviations from Index

Overweight	Underweight
Contact Energy	Ryman Healthcare
Summerset Group Holdings	Mercury New Zealand
Infratil Limited	Kiwi Property Group

Commentary

The New Zealand equity market performed very well over the month returning 6.55% to add to the already stellar performance for the year to date. Global equity markets were also quite positive following the Brexit referendum and the immediate aftermath which settled quickly on a consensus of co-ordinated central bank support. The Australian market was strong, up 6.29%, while the US and the UK were up 3.56% and 3.38% respectively (local currency terms). The New Zealand market was also helped by the RBNZ signaling a likely OCR cut in August.

The Fund performed in line with the New Zealand market. The underweight in Ryman Healthcare added relative value as the company lagged behind the market. One of our more recent additions **Aristocrat Leisure** continued its good run of performance adding another 16% during the month as the quality of future potential growth was re-examined by the market.

Both Ebos and Port of Tauranga added relative value to the Fund as their stock prices went sideways for the month against the strong market.

New Zealand Refining detracted from performance as the stock traded flat for the month. We expect the price to be supported by confirmation of good operational performance for the remainder of the year, notwithstanding the mild deterioration in expected refining margins and hence profits.

Restaurant Brands and **Metlifecare** continued their recent price appreciation, but did modestly underperform the strong market and hence detracted value.

During the month we exited Orion Healthcare following a very strong period of performance from our entry levels below \$3.00. We introduced **Aconex** into the Fund, attracted by the company's excellent collaborative SaaS platform to manage construction projects globally, their growth prospects and existing blue chip client base. We also introduced **Investore Property**, a listed property operator with an attractive tenant base, long lease terms and compelling yield support.

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

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute financial advice, and must not be relied on as such. Investors should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement (available on our website). Past performance is not a guarantee of future performance. While we believe the information contained in this document is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party.