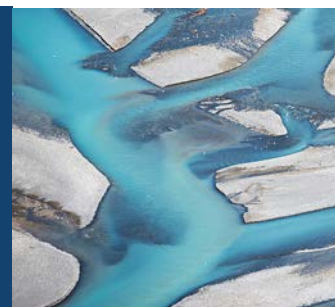


NIKKO AM CORE EQUITY FUND

Monthly Fact Sheet

31 August 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 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. As at the time of publication these expenses are estimated to be 0.175% 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
0.28%	3.98%	19.29%	29.43%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
19.83%	18.55%	17.21%	13.12%

* May 2010

Attribution to performance – August 2016

What helped	What hurt
Summerset (SUM)	Japara Healthcare (JHC)
Metlifecare (MET)	Fisher & Paykel Health (FPH)
Chorus (CNU)	Contact Energy (CEN)

Asset allocation (% of fund)

New Zealand equities	91.1%
Australian equities	8.2%
Cash	0.7%
Number of holdings	33

Sector allocation

	Fund	Index
Consumer discretionary	11.9%	10.1%
Consumer staples	5.5%	3.2%
Energy	6.4%	4.4%
Financials	1.5%	3.1%
Healthcare	21.7%	16.2%
Industrials	13.6%	14.8%
Information technology	1.7%	1.8%
Materials	9.6%	10.2%
Real Estate	3.6%	9.7%
Telecommunications	7.4%	10.3%
Utilities	16.4%	16.2%
Cash	0.7%	

Top 10 holdings

Fletcher Building	Infratil Limited
Fisher & Paykel Healthcare	Summerset Group Holdings
Contact Energy	Sky City Entertainment
Auckland International Airport	MetlifeCare
Spark New Zealand	Restaurant Brands

Largest deviations from Index

Overweight	Underweight
Contact Energy (CEN)	Ryman (RYM)
Infratil (IFT)	Kiwi Income Prop (KPG)
Summerset (SUM)	Mercury (MCY)

Commentary

The S&P/NZX 50 Gross Index rose 0.69% in August 2016 with 'small caps' outperforming leaders. The S&P/ASX200 Accumulation Index, S&P500 and FTSE100 returned -1.6%, +0.1% and +1.7% respectively in local currencies. Most indices performed poorly leading into the end of the month. On an annual basis, the NZX 50 Index has recorded an impressive 30.8% rise with the most recent earnings season generally providing good news. Results were in line with expectations with increased dividends continuing to be the main theme.

The Fund underperformed in August – retirement stocks had a strong month with the largest positive contributors to relative return coming from the Fund's overweight positions in **Summerset Group (SUM)** and **Metlifecare (MET)**. Both companies reported strong operating results with additional support coming from valuation uplifts.

Not holding Chorus also added relative value as the stock fell after reporting a mild decline in earnings for the year ended 30 June 2016. Conversely our modest overweight in **NZ Oil and Gas (NZO)** performed strongly over the month to rally ~16% following the annual earnings announcement.

Japara Healthcare (JHC) fell 18.4% after continuing concerns for government funding, a below expectations outlook in its result and big misses from other sector companies results.

Fisher & Paykel Healthcare (FPH) detracted from performance after a stellar run. The company fell after announcing pending legal action against one of their competitors, Resmed, who immediately initiated counter suits.

Both **Contact Energy (CEN)** and **NZ Refining (NZR)** detracted from relative performance given our overweight positions, as the stock prices fell. CEN marginally disappointed for the full year result while NZR announced stronger than expected results which were none the less weak compared to the prior year.

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

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