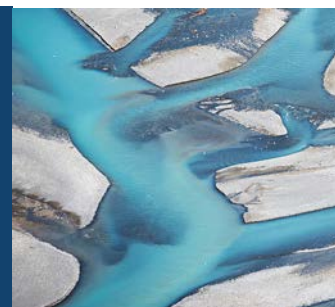


NIKKO AM CORE EQUITY FUND

Monthly Fact Sheet

31 October 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
-5.95%	-5.89%	2.05%	16.55%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
13.57%	12.71%	15.80%	11.66%

* May 2010

Attribution to performance – month

What helped	What hurt
Ryman Healthcare	UW Summerset Group
Ebos	NH Infratil
Xero	NH Contact Energy

OW: overweight; UW: underweight; NP: neutral position; NH: no holding



Finalist – New Zealand Equity Sector

Fund Manager of the Year Awards are announced by FundSource, the investment strategy and research company. These awards should not be read as a recommendation by FundSource. For further advice on the relevance of this award to your personal situation consult your authorised financial advisor.

Asset allocation (% of fund)

New Zealand equities	91.3%
Australian equities	7.2%
Cash	1.5%

Sector allocation

	Fund	Index
Health Care	19.6%	16.1%
Utilities	18.7%	16.1%
Industrials	13.3%	14.6%
Consumer Discretionary	11.1%	9.6%
Telecommunication Services	10.1%	10.5%
Materials	9.4%	9.2%
Energy	5.7%	4.4%
Consumer Staples	5.5%	3.9%
Real Estate	3.6%	9.8%
Information Technology	1.5%	2.4%
Cash	1.5%	0.0%
Financials	0.0%	3.4%

Top 10 holdings

Fletcher Building	Summerset Group Holdings
Spark New Zealand	Infratil Limited
Contact Energy	Meridian Energy
Auckland International Airport	MetlifeCare
Fisher & Paykel Healthcare	Sky City Entertainment
Number of holdings in fund	32

Largest deviations from Index

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

Commentary

Global equity markets were mixed in October with Asian and European markets generally up while the US and Australasian markets were down. The MSCI World Index 100% hedged to NZD ended the month down 0.5%. With the US election, the prospect of the US Federal Reserve raising rates before the end of the year and offshore selling, the NZ Equity market was down 5.44% - following on from posting a historic high on 7 September of 7,571. The month was the worst month since 2010 and was the sixth worst monthly performance of the NZX50 Index. The NZ equity market closed down 8.1% from its peak and underperformed the Australian market with the S&P/ASX 200 index down 2.15% for the month, with the Australian market led lower by Healthcare (-8.1%) and REITs (-7.4%) sectors. The majority of markets suffered from a rise in bond yields and a steepening in global yield curves led by the US, which saw 10-year bond yields from rise 1.59% to 1.85% hurting yield sensitive sectors and markets. Currency markets were dominated by a strong USD as expectations around further Fed tightening began to increase. The NZD finished the month down 1.1% against the AUD (closing at 0.9399) and down 1.85% against the USD (to \$0.7151). Oil was the big mover where Brent Oil peaked intra month at US\$52.95 but finished down at US\$46.97 and Gold was weaker by 4% over the month. The tone of domestic economic data releases over October continued to point to strong GDP growth of around 3.0% to 3.5% while inflationary pressures remained muted.

The Fund under-performed by 0.44% (gross of fees and taxes). The Fund's underweight holdings in Ryman (**RYM**) which fell 7.8% along with zero weight positions in Ebos (**EBO**) and Xero (**XRO**) who fell 9.6% and 8.2% respectively aided relative returns. Detractors of relative performance included Summerset (**SUM**) which fell 10.2%, Infratil (**IFT**) down 8.0% and Contact (**CEN**) down 5.75%. The portfolio manager added to the Fund's position in Meridian (**MEL**) after a significant sell-off of the electricity retailer from its recent highs and also up-weighted Convita (**CVT**), Spark (**SPK**) and Restaurant Brands (**RBD**) with funds received from selling down the Fund's position in Fonterra (**FSF**).

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

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