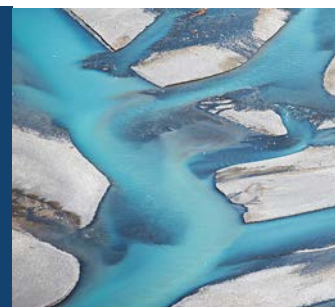


# NIKKO AM CORE EQUITY FUND

## Monthly Fact Sheet

## 31 January 2017



### 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
1.80%	1.02%	-4.93%	14.03%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
10.75%	13.44%	16.21%	11.37%

\* May 2010

### Attribution to performance – month

What helped	What hurt
Restaurant Brands	OW Aconex
Summerset Holdings	OW Japara Healthcare
Air New Zealand	NH Ryman Healthcare

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	88.9%
Australian equities	7.7%
Cash	3.4%

## Sector allocation (%)

	Fund	Index
Health Care	21.1	16.0
Utilities	18.2	15.6
Industrials	13.3	15.8
Consumer Discretionary	12.3	9.5
Materials	8.8	9.2
Telecommunication Services	7.1	10.3
Energy	7.1	4.2
Consumer Staples	4.3	4.2
Real Estate	3.4	9.6
Information Technology	1.0	2.4
Cash	3.4	0.0
Financials	0.0	3.2

## Top 10 holdings

Fletcher Building Ltd	Summerset Group Holdings
AK International Airport	Infratil Limited
Contact Energy Limited	Meridian Energy
Fisher & Paykel Healthcare	Restaurant Brands
Spark New Zealand	MetlifeCare Ltd
<b>Number of holdings in fund</b>	<b>31</b>

## Commentary

Equity markets have started the year on a positive note with the MSCI World index up 1.6%. All eyes have been on President Trump following his inauguration on January 20. Early signs are that he will follow through with key pledges with orders signed to withdraw from the Trans Pacific Partnership, immigration bans and plans in motion to commence building a wall between the US and Mexico.

The New Zealand equity market, as represented by the S&P/NZX 50 index rose strongly, up 2.5%, as compared to the Australian market which was down 0.8% (S&P/ASX 200 index).

The fund underperformed the index but still made a reasonable positive return for the month.

**Restaurant Brands (RBD)** performed strongly over the month gaining 9.1% and adding value to the fund. There was no specific news from the company although the local sharebrokers community is becoming quite positive on Restaurant Brands for client portfolios.

**Summerset Holdings (SUM)** added 5.8% on the back of strong fourth quarter sales numbers. Summerset is currently the largest overweight position in the fund hence this increase in share price benefitted the fund.

Air New Zealand (AIR) fell over the month - down 4.3%. The fund has no investment in AIR and hence added to relative performance.

The underperformance for the fund was primarily the result of SaaS software firm **Aconex (ACX)** which guided to revenue being 8% lower than previous guidance. While revenue guidance still implies circa +10% organic growth rate at the midpoint vs +20% under previous guidance (and +29% in the 2016 result), the cut to earnings guidance was more dramatic. Earnings are expected to be circa 50% weaker than previously forecast which lead to a share price fall of 40%. We remain attracted to the Aconex business model and their blue chip client base and note the stock has recovered somewhat from its lows.

**Japara Healthcare (JHC)** drifted lower over the month without releasing any market information. **Ryman Healthcare (RYM)** performed strongly in January notwithstanding a lack of news and detracted from performance.

During the month the fund sold its investment in Chorus with limited valuation support evident now. **Mirvac Group (MGR)**, the Australia listed property trust was re-introduced into the fund following a period of weak performance relative to the market.

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

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