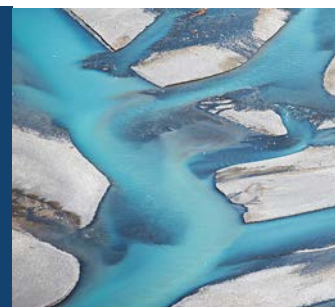


# NIKKO AM CORE EQUITY FUND

## Monthly Fact Sheet

## 28 February 2017



### Investment objective

The objective of the Fund is to construct a portfolio of permitted investments that aims to 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
2.35%	4.03%	-2.97%	15.69%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
10.86%	13.67%	16.57%	11.60%

\* May 2010

### Attribution (month)

What helped	What hurt
Sky Network TV	NH Metro Perf. Glass OW
Aristocrat Leisure	OW Japara Healthcare OW
MetlifeCare	OW Air New Zealand NH

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	89.2%
Australian equities	8.4%
Cash	2.4%

## Sector allocation (%)

	Fund	Index
Health Care	21.8	16.7
Utilities	16.7	15.7
Industrials	14.0	16.4
Consumer Discretionary	12.7	9.3
Materials	8.5	8.4
Telecommunication Services	8.0	10.2
Energy	5.9	4.1
Consumer Staples	4.9	4.3
Real Estate	4.0	9.3
Information Technology	1.1	2.3
Cash	2.4	0.0
Financials	0.0	3.3

## Top 10 holdings

AK International Airport	Infratil Limited
Fletcher Building	Summerset Group Holdings
Fisher & Paykel Healthcare	Metlifecare
Contact Energy	A2 Milk Coy
Spark New Zealand	Restaurant Brands
<b>Number of holdings in fund</b>	<b>32</b>

## Commentary

Equity markets continued their positive start for the year with the MSCI World index returning 2.9%. President Trump was again in the forefront as markets anticipated the speech to Congress and definitive policy announcements as opposed to tweets. The New Zealand equity market, as represented by the S&P/NZX 50 index rose strongly up 1.7% but lagged the Australian market which was up 2.2% (S&P/ASX 200 index). Further afield the UK market was up 2.3% (FTSE in GBP) and the US (S&P500) was up 3.7%.

The Fund performed strongly during February to outperform the index by 0.73% and posted a total return of 2.45% (gross of fees and taxes).

The Fund held no Sky Network TV (SKY) for most of the month before we started introducing a very minor weight (0.25%). The combination of weak earnings result as expected and the Commerce Commission rejecting the proposed merger with Vodafone meant the Fund held no position at month end. This active positioning added excellent value relative to the benchmark. Our position in **Aristocrat Leisure** (ALL) added value as the stock rallied after the company confirmed their guidance range, the AGM. The stock rallied 8.6% over the month. The new CEO Trevor Croker confirmed normalised profit growth of 20% - 30% for the current year. Both **Metlifecare** (MET) and **Summerset Holdings** (SUM) had strong asset revaluations and operating results which drove their share-prices higher adding value to the Fund. **Contact Energy** (CEN) reported profits in line with our expectations with improving operating statistics. The stock reacted positively to these metrics and management comments about debt reduction and hence added value to the Fund.

**Metro Performance Glass** (MPG) provided a disappointing market update which saw the shares fall ~20% detracting value from the Fund. The major factor leading to their downgrade was 'diseconomies of scale' as they added to productive capacity. We continue to see valuation support and hence have not sold the stock.

**Japara Healthcare** (JHC) detracted from performance after reporting earnings and guidance which disappointed the market. The earning miss came from their newly acquired Profke facilities however we remain positive about the medium term earnings and investment proposition. Air New Zealand and EBOS Group both nil holdings, delivered solid profit results for the first half year and the market price increased which detracted from relative performance.

Property Link Group (PLG) was introduced to the Fund during the month. Sky Network TV was traded into and out of the Fund during the month.

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

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