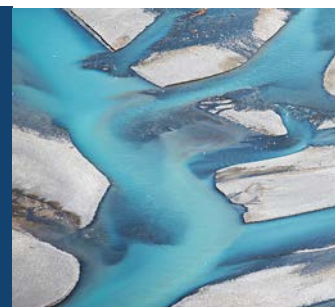


# NIKKO AM CORE EQUITY FUND

## Monthly Fact Sheet

## 31 March 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
1.23%	5.47%	-1.56%	7.60%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
12.53%	13.16%	15.69%	11.65%

\* May 2010

### Attribution (month)

What helped	What hurt
A2 Milk	OW Metro Performance Glass OW
Aristocrat	OW NZ Refining OW
Sky Network TV	NH Aconex OW

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	86.0%
Australian equities	8.7%
Cash	5.3%

Cash includes call cash, income due and settlements

## Sector allocation (%)

	Fund	Index
Health Care	22.3	16.7
Utilities	16.1	16.1
Industrials	11.4	15.9
Consumer Discretionary	12.1	9.1
Materials	6.7	7.2
Telecommunication Services	8.0	10.3
Energy	5.9	4.0
Consumer Staples	6.1	5.4
Real Estate	4.9	9.3
Information Technology	1.2	2.5
Cash	5.3	0.0
Financials	0.0	3.5

## Top 10 holdings

Fisher & Paykel Healthcare	Infratil Limited
Contact Energy	The A2 Milk Coy
Spark New Zealand	Summerset Group Holdings
Auck Intl. Airport	Metlifecare Ltd
Fletcher Building	Sky City Entertainment
<b>Number of holdings in fund</b>	<b>33</b>

## Commentary

The S&P/NZX 50 Index rose +0.82% in March 2017 with large-cap stocks underperforming mid-cap and small-cap. Off-shore markets - S&P/ASX200 Accumulation, S&P500 and FTSE100 returned +3.3%, +0.1% and +1.1% respectively (in local currencies). For the quarter, the S&P/NZX 50 returned an impressive but in-line with global markets +5.08% as compared to +4.82% for the S&P/ASX200 Accumulation and S&P500 +5.53%. The main driver for the quarter's performance was the continued 'Trump rally' driven by his 'tweeted' policies impacting investors thoughts on re-inflation, reduced regulation, capital spending and the prospect of tax cuts for many including companies. Interest rates around the world rose with the Fed raising rates as expected and markets were able to absorb this along with the UK triggering Article 50.

The fund outperformed the strong NZ market returning 6.22% for added value of 1.14%. For the quarter **A2 Milk** (ATM) returned 40% hence the overweight position added materially to performance. **Aristocrat** (ALL) also performed very strongly returning ~22% for the quarter on the back of strong earnings guidance for the year ahead issued at the Annual Meeting.

The fund's nil holding in Sky Network TV (SKY) was of benefit to the fund. Sky fell on the back of a weak earnings result as expected and the Commerce Commission rejecting the proposed merger with Vodafone. The stock has been very volatile over the twelve month and fell 13% over the quarter. Both **Summerset** (SUM) and **Contact Energy** (CEN) provided strong returns, around ~11%, based on earnings updates which added to performance over the quarter.

**Metro Performance Glass** (MPG) and **Aconex** (ACX) both surprised the market with negative earnings updates. Metro fell ~31% and Aconex fell ~18% detracting 0.36% and 0.21% respectively.

**NZ Refining** (NZR) was weak post a partial placement of BP stake (selling down from 20.2% to 10.1%) and hence detracted from relative performance.

**Propertylink Group** (PLG) and **Mirvac Group** (MGR) were added to the fund and provided good result updates during the quarter. Mirvac Group also narrowed its earnings guidance for the full year to the top of its previously provided range.

Chorus (CNU) was sold out of the fund following a strong period of performance and reaching our price target. A number of stocks were reweighted in the fund with the general theme of reducing overweight positions following price movements and increasing cash holdings.

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

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