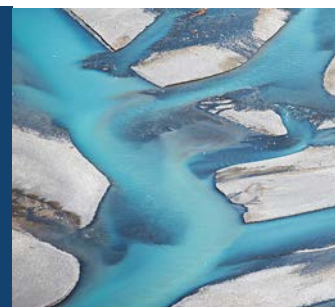


NIKKO AM CORE EQUITY FUND

Monthly Fact Sheet

30 April 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
2.39%	6.08%	7.16%	9.36%
2 years (pa)	3 years (pa)	5 years (pa)	Inception (pa)*
13.68%	13.21%	15.97%	11.88%

* May 2010

Attribution (month)

What helped	What hurt
A2 Milk	OW Metlife Care Ltd
Aristocrat Leisure	OW Comvita Ltd
Sky Network TV	NH Restaurant Brands

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	87.7%
Australian equities	7.7%
Cash	4.6%

Cash includes call cash, income due and settlements

Sector allocation (%)

	Fund	Index
Health Care	23.3	16.8
Utilities	16.1	15.8
Industrials	11.6	15.6
Consumer Discretionary	12.1	9.0
Materials	6.7	7.2
Telecommunication Services	6.8	10.5
Energy	5.9	4.1
Consumer Staples	6.4	5.5
Real Estate	3.7	9.1
Information Technology	2.8	2.9
Cash	4.6	0
Financials	0.0	3.4

Top 10 holdings

Fisher & Paykel Healthcare	The A2 Milk Coy
Contact Energy	Infratil Limited
Auck Intl. Airport	Metlifecare Ltd
Spark New Zealand	Summerset Group Holdings
Fletcher Building	Sky City Entertainment
Number of holdings in fund	31

Commentary

Despite continued concerns around North Korean tension, globally equities continued their strong year with the MSCI World index up 1.3% for the month. The S&P/NZX 50 index was up 2.5% and ahead of the Australian S&P/ASX 200 index which was up 1.0%.

The fund performed strongly during April to keep pace with the index. The strongest contribution came from **A2 Milk** (ATM) which returned 13.0% for the month following a relatively modest 5% upgrade to their revenue guidance for the year to June. Although the upgrade was modest it continues the positive track record to business momentum and underpins the stock.

Aristocrat Leisure (ALL) rose 9.0% over the month supported by net upgrades to the market's price expectations and positive survey data about casino intentions to utilise Aristocrat product.

The funds nil position in Sky Network Television provided relative added value as the stock drifted back against the strong market return.

On the downside the fund's position in **Metlifecare** (MET) detracted from performance after major shareholder, **Infratil** (IFT), sold down their stake from 19.9% to nil at an 8% discount to market. This saw the stock down 5.2% for the month but does not undermine our positive view of the Metlifecare.

Comvita (CVT) detracted from performance with stock falling ~18% after the company further downgraded their expectations for the full year. Their expectations are now to make an operating loss for the year ended June (but a reported profit the year).

Restaurant Brands (RBD) detracted from performance as the stock fell back despite meeting our expectations for their full year results announcement in April. The outlook and opportunities for Restaurant Brands look compelling in Australia and further afield.

During the month the fund exited its position in Mirvac Group following a strong period of performance versus our expectations. The fund re-introduced a position **Xero** (XRO) with the outlook to cashflow break even now imminent and the expected market reaction is likely to be positive. Additionally the fund added to the existing holding in **Metro Performance Glass** (MPG). The stock was added at \$1.28 and quickly rebounded to close at \$1.38.

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

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