

# Nikko AM Wholesale Core Equity Fund

## Fund manager

Nikko Asset Management New Zealand Limited (Nikko AM NZ).

In New Zealand we actively manage around NZ\$5 billion of investments for a diverse group of clients, including superannuation schemes, charitable trusts, KiwiSaver scheme providers, corporations and local government along with providing services to financial intermediaries through wrap platforms. We offer investment management services in domestic sectors (equities, fixed interest and cash) through our Auckland-based investment team and employ offshore managers to manage global sectors (global equities, global bonds and alternative investments).

## Fund launch

October 2007 – a similar portfolio has been operated by Nikko AM NZ since March 1992.

## Investment objective

To construct a portfolio of authorised investments that outperform the Fund's benchmark return by 3.0% per annum over a rolling three year period before fees.

## Benchmark

S&P/NZX 50 Index Gross with Imputation Credits

## Investment process

Nikko AM NZ is an active, style neutral manager with a lower risk approach to investment. Our core equity portfolio is constructed and managed with a blend of value and growth companies, with a modest Australian exposure (maximum 20% permitted).

## Structure and taxation

The Fund vehicle is a Portfolio Investment Entity (PIE) which is priced daily. Investors elect their own Prescribed Investor Rate. The Fund invests directly into tradeable capital market securities. Whilst the majority of the return is "excluded income" there will be a portion of interest income, dividends not fully imputed, and certain ASX listed shares will not fit the criteria for trading gains/losses to be excluded. Information is provided to the IR and investors on an annual basis.

## Distributions

Generally on calendar quarters, or at any date for any period determined by the Manager.

## 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%.

## Management fees and other charges

Investment management fees will be negotiated separately with each investor and invoiced outside the Fund.

All Fund statutory and operating costs will be met directly by the Manager.

## Buy/sell spread

0.35% / 0.35%

## Trustee

Public Trust

## Custodian

Public Trust as legal custodian, BNP Paribas Fund Services Australasia Pty Limited delegated as functional custodian.

**Disclaimer** | This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme and the Nikko AM NZ Wholesale Investment Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement or Fund Fact Sheet. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party.

### Performance (NZD gross returns)

	Fund	Benchmark	Excess
1 month	-5.88%	-5.44%	-0.44%
3 months	-5.25%	-4.81%	-0.44%
6 months	3.20%	2.71%	0.49%
1 year	18.81%	17.64%	1.17%
2 years (pa)	15.94%	15.11%	0.83%
3 years (pa)	15.11%	13.78%	1.33%
5 years (pa)	18.27%	17.37%	0.90%
10 years (pa)	8.90%	7.79%	1.11%

### Fund size

NZ\$246 million

### Attribution

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

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

### Largest deviations from index

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

### 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
<b>Number of holdings in fund</b>	<b>32</b>

### 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%

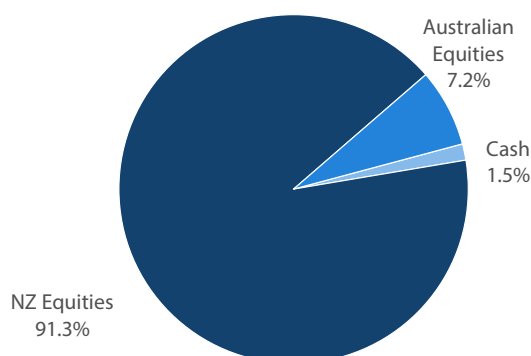
### Hedging

Australian listed stocks are unhedged at the date of this Fact Sheet.

### Compliance

The Fund complied with its investment mandate during the month.

### Asset allocation



### 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%. 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).