

Nikko AM Core Equity Strategy

Monthly Update 31 July 2025

Assets are held in the Nikko AM Wholesale Core Equity Fund. The Nikko AM Core Equity Fund (retail) invests in units in the wholesale fund which the commentary refers to.

Market Overview

- Global equity markets moved higher over the month assisted by US companies reporting earnings and a number of trade deals finalised by the US ahead of the 1 August tariff implementation date.
- The United States S&P 500 index rose 2.2%, the Japanese Nikkei 225 increased 1.4%, the UK FTSE 100 index added 4.2%, the Australian ASX 200 index gained 2.4% and the MSCI World index ended the month up 2.2% (in local terms).
- The S&P/NZX 50 index ended the month up 1.8%.

Fund Highlights

- The fund ended the month up 1.9%, 0.1% ahead of the index return.
- News flow was relatively light during the month as we await results in August for the period ending June.
- Both Summerset and Ryman announced better than expected sales numbers for the June quarter.
- Sky Network Television announced the acquisition of Discovery NZ, the owner of Three and ThreeNow.
- Contact Energy completed the acquisition of Manawa Energy.
- Overweight positions in Infratil, Ryman Healthcare and Kiwi Property added value. Overweight positions in Mainfreight and Channel Infrastructure and an underweight position in Precinct Properties detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	1.86%	7.83%	2.96%	5.09%	3.48%	9.72%
Benchmark²	1.78%	7.83%	4.13%	4.56%	2.57%	9.03%
Retail³	1.76%	7.53%	2.06%	4.11%	2.55%	8.56%

1. Returns are before tax and before the deduction of fees and including tax credits (if any).

2. Benchmark: S&P / NZX 50 Index Gross (with Imputation Credits). No tax or fees.

3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).

Five-Year Cumulative Performance, \$10,000 invested^{1,2}



Portfolio Manager

**Michael Sherrock,
Head of Equities**

Michael joined Nikko AM in 2006 and covers the Energy, Materials, Metals and Mining, and Media sectors. He has over 20 years' experience and previously held roles with Schroders UK and ASB Group Investments. Michael is a CFA charterholder and holds a Bachelor of Commerce degree from the University of Auckland.



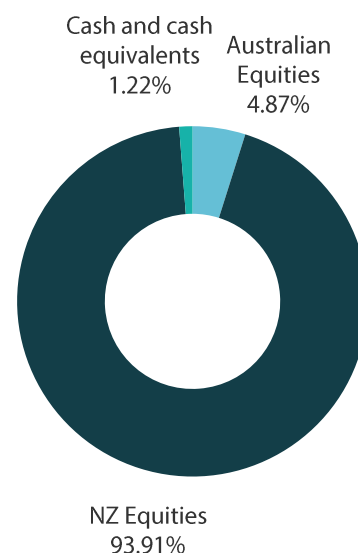
Overview

The Core Equity strategy seeks growth opportunities by investing in New Zealand and Australian equity markets. Our local equity portfolio management team hand-pick stocks that they believe have potential for growth of income and capital.

Objective

The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

Asset Allocation



Attribution To Performance				Sector Allocation (% of fund)	Fund	Benchmark
What Helped:		What Hurt:		Health care	29.84	26.76
Infratil	OW	Mainfreight	OW	Industrials	18.15	21.09
Ryman Healthcare	OW	Precinct Properties	UW	Utilities	15.35	16.49
Kiwi Property	OW	Channel Infrastructure	OW	Financials	10.65	11.08
OW: overweight; UW: underweight; NH: no holdings				Communication services	9.04	6.70
Top 10 Holdings (% of fund)				Real estate	5.26	7.53
Fisher & Paykel Healthcare	16.80	EBOS	5.46	Consumer staples	5.21	6.21
Infratil	10.65	Spark New Zealand	5.03	Information technology	2.34	1.62
Auckland International Airport	9.52	Mainfreight	4.30	Consumer discretionary	1.65	1.63
Contact Energy	6.85	A2 Milk	4.28	Energy	1.29	0.57
Meridian Energy	6.31	Summerset	3.91	Cash and cash equivalents	1.22	0.00
				Materials	0.00	0.32
				Number of holdings	32	50

Market Commentary

All key equity market indices around the world moved higher over the month. Markets have been helped by good results from companies in the US reporting their earnings. Markets tended to ignore the continued tariff noise during the month as minimum tariff rates appear to be moving to 15% from 10% but also a number of deals being finalised between the US and other countries. Central banks and rate decisions remain a focus for investors and politicians. Against market expectations, the Reserve Bank of Australia did not cut. The board was split six for holding and three for cutting. The board were united in their view on the direction of rates but not the timing of cuts. The US Federal Reserve also kept rates unchanged as did the Reserve Bank of New Zealand. The Federal Reserve Chair received strong criticism from President Trump for not cutting rates. It was a relatively quiet month for corporate news flow in New Zealand as companies prepare results to be released in August for the period ending June.

Fund Commentary

The largest positive contributors to the fund's relative return overweight positions in **Infratil** (IFT), **Ryman Healthcare** (RYM) and **Kiwi Property** (KPG). IFT rose 9.7% over the month, assisted by being added to the S&P/ASX 200 index along with an independent valuer's uplift in the value of its investment in CDC. RYM provided quarterly sales numbers along with contracts which were better than expected and also said that they expect sales to be towards the upper end of guidance. RYM ended the month up 11.6%. KPG announced that ASB had extended their lease. ASB are a relatively large tenant for KPG so this was a good outcome. KPG gained 9.6% over the period.

The largest negative contributors to relative return were from overweight positions in **Mainfreight** (MFT) and **Channel Infrastructure** (CHI) and an underweight position in **Precinct Properties** (PCT). MFT provided a disappointing first 17 weeks trading update at its Annual Shareholder Meeting with weak margins driving profit before tax, down 24% compared to the same period last year. This led to MFT falling 10.2%. While the consortium looking to build a biorefinery on CHI's land has pushed out their final investment decision until next year the likelihood of this proceeding is still strong. Following a recent strong run, CHI declined 4.1%. PCT, along with most property securities, had a strong month as investors are attracted to the relatively strong yields. PCT added 5.0%.

Key portfolio changes during the month included adding to our positions in **Auckland International Airport** (AIA), **Gentrak** (GTK) and **Spark** (SPK). Positions in **A2 Milk** (ATM), **Aristocrat Leisure** (ALL), (CHI), **Freightways** (FRW), **ResMed** (RMD), **Mercury Energy** (MCY) and **Sky Network Television** (SKT) were reduced.

(**Bold** denotes stocks held in the portfolio).

Key Fund Facts

Estimated annual fund charges (incl. GST)		Exclusions:	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy Launch:	October 2007
Wholesale:	Negotiated outside of the unit price.		Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://www.nikkoam.co.nz/invest/retail .	Strategy size:	\$285.8m
Retail:	0.95%, refer to PDS for more details.			Buy / Sell spread:	0.29%/0.29%
Distributions					
Wholesale:	Calendar quarter				
Retail:	March and September				

Compliance

The wholesale fund complied with its investment mandate and trust deed during the month.

Contact Us

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