

Nikko AM Core Equity Strategy

Monthly Update 30 June 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 delivered strong returns over the quarter as certain US tariffs were paused, countries and companies continued to assess the impacts of the tariffs along with earnings results announcements for the period ending March.
- The United States S&P 500 index rose 10.6%, the Japanese Nikkei 225 increased 13.7%, the UK FTSE 100 index added 2.1%, the Australian ASX 200 index gained 9.5% and the MSCI World index ended the quarter up 9.4% (in local terms).
- The S&P/NZX 50 index ended the quarter up 2.8%.

Fund Highlights

- The fund ended the quarter up 2.8%, in line with the index return.
- Earnings guidance updates and company results for the period ended 31 March dominated news flow and share price performance.
- EBOS announced an AU\$250m capital raising to fund two recent acquisitions.
- An EBOS shareholder sold a large parcel of shares equivalent to 13.2% of the company with a value of \$950m.
- The Commerce Commission granted approval for Contact Energy's acquisition of Manawa Energy.
- Overweight positions in Sky Network Television, Spark and NextDC added value. Overweight positions in Ryman Healthcare, Worley and SkyCity Entertainment detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	1.79%	2.78%	6.49%	6.39%	3.81%	9.96%
Benchmark²	1.54%	2.79%	8.35%	5.91%	2.71%	9.20%
Retail³	1.70%	2.54%	5.54%	5.40%	2.88%	8.79%

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.



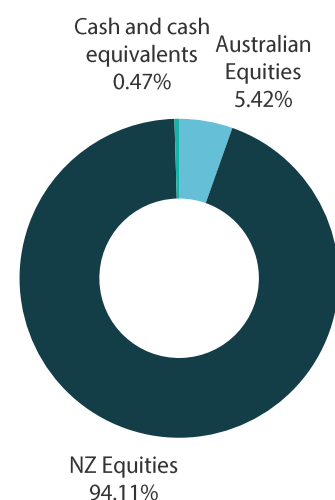
Overview

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	29.77	26.32
Sky Network Television	OW	Ryman Healthcare	OW	Industrials	18.94	21.95
Spark	OW	Worley	OW	Utilities	16.00	16.80
NextDC	OW	SkyCity Entertainment	OW	Financials	9.68	10.42
OW: overweight; UW: underweight; NH: no holdings				Communication services	9.10	6.74
				Consumer staples	5.58	6.20
				Real estate	4.99	7.25
				Information technology	2.19	1.81
				Consumer discretionary	1.83	1.59
				Energy	1.45	0.61
				Cash and cash equivalents	0.47	0.00
				Materials	0.00	0.31
				Number of holdings	32	50

Market Commentary

It was a volatile start to the quarter as companies and countries assessed how tariffs announced in early April by the United States would impact them. This was not an easy exercise given the constantly changing tariff rates faced by countries and sectors and how different countries were proposing or implementing counter tariffs. Markets also had to consider the impacts of the conflict in the Middle East which spread to direct conflict between Iran and Israel. This saw a spike in the oil price before reversing as a truce was announced after 12 days of trading blows. Despite these events, global equity markets rallied strongly over the quarter as investors took some confidence in markets following President Trump pausing certain tariffs albeit at this stage the President remains steadfast in his position. Companies reporting their earnings for the period ending March also played a major part in the performance of equity markets. Markets were also supported by Central Banks continuing to reduce interest rates. The Reserve Bank of New Zealand has now cut rates by 2.25% from its peak. Markets were somewhat surprised by the RBNZ's statement where they were more hawkish than expected and disclosed that one of the six voting members voted for no change to the Official Cash Rate. Earnings results for New Zealand companies were generally good versus market expectations.

Fund Commentary

The largest positive contributors to the fund's relative return were overweight positions in **Sky Network Television** (SKT), **Spark** (SPK) and **NextDC** (NXT). SKT rose 21.5% over the quarter. While no specific announcements came, it seems increasingly likely that SKT will retain the NZ Rugby rights. Given the rights expire at the end of the year, the window for another bidder turning up is tight given the time required to get broadcasting production infrastructure in place. After a terrible March quarter for SPK, the last three months has seen a steady climb in its share price. While no specific news has been announced, speculation continues around the sale of its data centre assets. SPK ended the quarter up 18.5%. NXT performed poorly in the March quarter with the market concerned around the demand outlook for data centres. This concern was somewhat alleviated during the June quarter after updates from several companies operating in the area indicated demand was still strong. This was further backed up by NXT who announced a material new data centre contract. NXT rose 28.2% (in AUD) over the quarter.

The largest negative contributors to relative return were from overweight positions in **Ryman Healthcare** (RYM), **Worley** (WOR) and **SkyCity Entertainment** (SKC). Following its \$1b capital raise in February, RYM's share price continues to struggle. Investors were hopeful that RYM would provide a positive update on unit sales in its earnings result, unfortunately that wasn't delivered, instead a larger than expected asset devaluation was delivered. This saw RYM fall 18.8% over the quarter. While not reporting a result during the quarter, SKC announced a downgrade to its earnings guidance as it continues to be impacted by the weak NZ economy and increased compliance costs. SKC fell 25.4% over the period. WOR, who provides engineering services for large projects, suffered as investors became nervous that tariffs and market volatility would lead to its customers delaying projects. WOR ended the period down 9.4% (in AUD).

Key portfolio changes during the quarter included adding to our positions in **Auckland International Airport** (AIA), **Aristocrat Leisure** (ALL), **EBOS** (EBO), **Kiwi Property** (KPG), **Stride Property** (SPG), **SPK**, **Fletcher Building** (FBU), **Gentrack** (GTK), **Infratil** (IFT) and **Fisher & Paykel Healthcare** (FPH). Positions in **A2 Milk** (ATM), **Channel Infrastructure** (CHI), **Chorus** (CNU), **ResMed** (RMD), **Contact Energy** (CEN), **Ingenia Communities** (INA) and **Waypoint REIT** (WPR), SKT and **Mercury Energy** (MCY) were reduced. The fund's holding in Heartland Bank (HGH) was divested. (**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.			Strategy size:	\$280.4m
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 quarter.

Contact Us

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