

Nikko AM Wholesale New Zealand Equity Fund

Monthly Update 30 November 2023

Market Overview

- Global equity markets had a very strong month, recovering October's losses as bond yields fell sharply.
- The United States S&P 500 index rose 8.9%, the Japanese Nikkei 225 added 8.5%, the UK FTSE 100 index gained 1.8%, the Australian ASX 200 index increased 5.0% and the MSCI World index ended the month up 7.6% (in local terms).
- The S&P/NZX 50 index ended the month up 5.4%.

Fund Highlights

- The fund ended the month up 3.9%, 1.4% behind the index return.
- There were a number of company results announcements and Annual Shareholder Meetings during the month.
- Sky Network Television announced they had ceased talks with the bidder for the company due to the bid price not being sufficient.
- MSCI index flows on the last day of the month had a material impact on a number of stock prices.
- Underweight (nil) positions in Kathmandu, Air New Zealand and Vector added value. Overweight positions in Sky Network Television, Infratil and Ryman Healthcare detracted value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	3.93%	-0.58%	1.55%	-0.33%	7.37%	
Benchmark²	5.35%	-1.54%	-1.04%	-3.15%	5.95%	

1. Returns are before tax and before the deduction of fees.

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

Portfolio Manager

**Michael Sherrock,
Head of Equities**

Michael joined Nikko AM in 2006 and covers the Property, 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 charter-holder and holds a Bachelor of Commerce degree from the University of Auckland.



Overview

The New Zealand Equity Fund seeks to provide investors with an exposure to the New Zealand equity markets from an actively managed investment portfolio with potential for growth of income and capital.

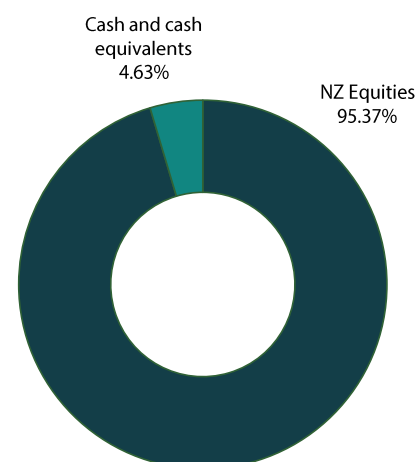
Objective

The objective of the fund is to construct a portfolio of Authorised Investments that outperform the Fund's benchmark return by 3.00% p.a. over a rolling three-year period before fees and taxes.

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



Asset Allocation



Attribution to performance			
What Helped:		What Hurt:	
KMD Brands	NH	Sky Network Television	OW
Air New Zealand	NH	Infratil	OW
Vector	NH	Ryman Healthcare	OW

OW: overweight; UW: underweight; NH: no holdings. Month-end position.

Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	11.29	Meridian Energy	5.25
Spark New Zealand	10.80	EBOS	4.98
Infratil	10.35	Mainfreight	4.58
Auckland International Airport	8.47	Ryman Healthcare	4.32
Contact Energy	7.87	Sky Network Television	3.57

Sector Allocation (% of fund)	Fund	Benchmark
Utilities	26.72	24.33
Health care	24.64	23.35
Industrials	17.85	22.76
Communication services	16.91	11.83
Cash and cash equivalents	4.63	0.00
Consumer staples	3.00	3.61
Consumer discretionary	1.98	2.14
Real estate	1.98	8.15
Energy	1.57	0.33
Information technology	0.72	0.66
Financials	0.00	2.40
Materials	0.00	0.45
Number of holdings	26	50

Market Commentary

Global equity markets had a very strong month, recovering October's losses as bond yields fell sharply on signs that rate hikes might be over in the United States. In contrast the Reserve Bank of Australia hiked rates early in November and the Reserve Bank of New Zealand signalled that rate cuts are further out than they had previously signalled. Interest rate moves and expectations continue to dominate the equity market rather than earnings results and the outlook for earnings. Outside of results and shareholder meetings, EBOS got some attention as it went into trading halt for several days due to media speculation they were in discussion to buy the Greencross vet and pet retail business. Ultimately the deal didn't eventuate, likely due to not getting enough support from investors.

Fund Commentary

The largest positive contributors to the fund's relative return were underweight (nil) positions in KMD Brands (KMD), Air New Zealand (AIR) and Vector (VCT). KMD fell 7.2% as it is impacted by a slowing economy and didn't provide a trading update at its Annual Shareholder Meeting other than to say that the environment remains challenging. AIR was flat over the month providing a positive relative return for the fund while VCT's small positive return of 0.3% also assisted relative value.

The largest negative contributors to our relative return were from overweight positions in **Sky Network Television** (SKT), **Infratil** (IFT) and **Ryman Healthcare** (RYM). SKT fell 4.2% after ending discussion with regard to a takeover offer. While IFT rose 0.1%, it was below the index return and as a result our overweight position detracted from relative value. RYM made a small reduction to the bottom of its earnings guidance but pleasingly there was better disclosure. Some investors, most likely retail, would have been disappointed by the announcement that there would be no dividend for at least the next two years. RYM ended the month down 4.9%.

There were no material changes to portfolio holdings over the month.

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

Key Fund Facts

Estimated annual fund charges (incl. GST)		Hedging:	All investments will be in New Zealand dollars.	Strategy Launch:	July 2018
Wholesale:	Negotiated outside of the unit price.	Exclusions:	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy size:	\$2.2m
Distributions:		Restrictions:	Fossil fuels, Tobacco stocks. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://www.nikkoam.co.nz/invest/retail .	Buy / Sell spread:	0.29%/0.29%
Wholesale:	Calendar quarter				

Compliance

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

Contact Us

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