

Nikko AM SRI Equity Strategy

Monthly Update 31 July 2025

Assets are held in the Nikko AM Wholesale SRI Equity Fund. The Nikko AM SRI Equity Fund (retail) and the GoalsGetter KiwiSaver Scheme Nikko AM SRI Equity Fund invest 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 solid earnings, and several bilateral trade deals reaching high level agreement ahead of the 1st of 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 1.8%, in line with the index return.
- News flow was relatively light during the month as we await the August company reporting season (for the period ending June).
- Retirement village operators Summerset and Ryman both 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, Meridian Energy, and Channel Infrastructure detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	1.78%	8.46%	4.24%	5.89%	4.07%	10.72%
Benchmark²	1.78%	7.83%	4.13%	4.56%	2.57%	9.03%
Retail³	1.70%	8.14%	3.15%	4.85%		
KiwiSaver⁴	1.67%	8.06%	2.99%	4.80%	2.76%	

- Returns are before tax and before the deduction of fees and including tax credits (if any).
- Benchmark: S&P/NZX 50 Index Gross (with Imputation Credits). No tax or fees.
- Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).
- KiwiSaver fund transitioned from core strategy to SRI strategy in February 2022.

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



Portfolio Manager

Michael De Cesare,
Portfolio Manager

Responsible for the SRI Equity Fund. Covers the Communications, Transport, and Consumer Staples sectors. Over 15 years of experience in the finance industry including ANZ Institutional Bank and Fortis Investments. Michael holds a First-Class Honours degree in Industrial Economics from the University of Nottingham Business School, United Kingdom. Joined in 2012.



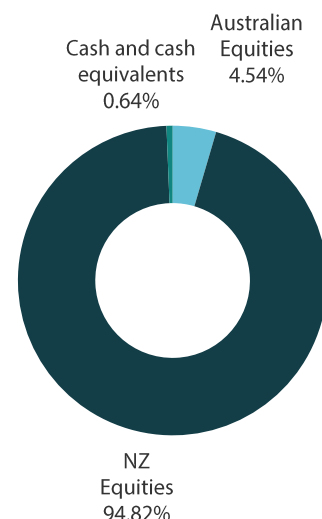
Overview

The SRI 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. The fund excludes any company that derives more than 10% of its revenue from alcohol, pornography, gambling, tobacco and extraction of thermal coal and tar sands oil. There is a full ban on controversial weapons.

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			
What Helped:		What Hurt:	
Infratil	OW	Mainfreight	OW
Ryman Healthcare	OW	Meridian Energy	OW
Kiwi Property	OW	Channel Infrastructure	OW

OW: overweight; UW: underweight; NH: no holdings; RS: restricted stock

Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	16.62	EBOS	5.45
Infratil	10.67	Spark NZ	4.94
Auckland International Airport	9.55	Mainfreight	4.41
Contact Energy	6.50	A2 Milk	4.17
Meridian Energy	6.29	Summerset	3.82

Sector Allocation (% of fund)	Fund	Benchmark
Health care	29.52	26.76
Industrials	19.37	21.09
Utilities	14.96	16.49
Financials	10.67	11.08
Communication services	8.87	6.70
Real estate	7.52	7.53
Consumer staples	5.11	6.21
Information technology	2.12	1.62
Energy	1.12	0.57
Cash and cash equivalents	0.64	0.00
Consumer discretionary	0.09	1.63
Materials	0.00	0.32
Number of holdings	32	50

Market Commentary

Key equity market indices around the world moved higher over the month. Helped by U.S. companies reporting good earnings results. Tariff noise continued, including minimum tariff rates that appear to be moving from 10% to 15%. However, the main tariff focus was on the positives associated with high level deals being agreed between the U.S. and key trading partners. Central banks and rate decisions remain highly relevant for investors and politicians. Against market expectations, the Reserve Bank of Australia (RBA) did not cut. The RBA board was split, six for holding and three for cutting, yet were united in their view on the direction of rates, just not the timing of cuts. The U.S. Federal Reserve also kept rates unchanged, as did the Reserve Bank of New Zealand. It was a relatively quiet month for corporate news flow in New Zealand as companies prepare to release results in the August reporting season (for the period ending June).

Fund Commentary

The largest positive contributors to the fund's relative return were overweight positions in **Infratil** (IFT), **Ryman Healthcare** (RYM), and **Kiwi Property** (KPG). IFT rose 9.7% over the month, assisted by inclusion into 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 and contracts which were better than expected and 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 large tenant for KPG, so this was a pleasing outcome. KPG gained 9.6% over the period.

The largest negative contributors to relative return were from overweight positions in **Mainfreight** (MFT), **Meridian Energy** (MEL), and **Channel Infrastructure** (CHI). MFT provided a disappointing first 17 weeks trading update at its Annual Shareholder Meeting. Weak margins drove profit before tax down 24% compared to the same period last year. This led to MFT falling 10.2%. MEL revealed an unexpected break fee that will reduce FY25 earnings, associated with their agreement with NZAS to shorten the demand response. In addition, there is currently heightened regulatory scrutiny over the sector given elevated electricity prices. Following a recent strong run, CHI declined 4.1%. 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.

Key portfolio changes during the month included adding to our positions in **Auckland International Airport** (AIA), **Gentrack** (GTK) and **Spark** (SPK). Positions in **A2 Milk** (ATM), (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)		Foreign Currency Exposure:	May be hedged to NZD at the Manager’s discretion within an operational range of 0% to 105%. Currently the fund’s foreign currency exposure is unhedged.	Strategy Launch:	January 2008
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:	\$78.6m
Retail:	0.95%, refer to PDS for more details.			Buy / Sell spread:	0.29%/0.29%
KiwiSaver:	0.95%, refer to PDS for more details.				
Distributions:		Restrictions:	Tobacco stocks, fossil fuels, adult entertainment, alcohol and gambling. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://www.nikkoam.co.nz/invest/retail .		
Wholesale:	Calendar quarter				
Retail:	March and September				
KiwiSaver:	Does not distribute				

Compliance

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

Contact Us

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