Nikko Asset Management

YOUR GOALS, OUR COMMITMENT.

Nikko AM SRI Equity Strategy

Monthly Update 30 June 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 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 3.5% and 0.7% ahead of 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 Sky Network Television, NextDC, Spark, and an underweight (nil holding) in restricted stock Sky City added value. Overweight positions in Ryman Healthcare, Worley and Vital Healthcare Property detracted value.

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.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale[1]	1.87%	3.51%	7.75%	7.30%	4.37%	10.95%
Benchmark[2]	1.54%	2.79%	8.35%	5.91%	2.71%	9.20%
Retail[3]	1.77%	3.28%	6.62%	6.23%		
KiwiSaver[4]	1.74%	3.22%	6.46%	6.20%	3.10%	

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).
4. KiwiSaver fund transitioned from core strategy to SRI strategy in February 2022.

Overview

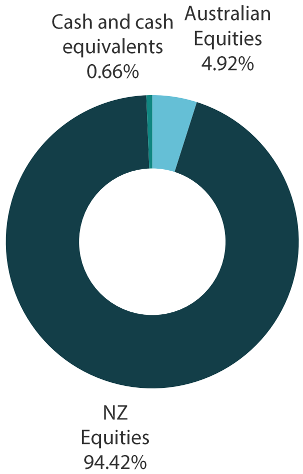
The SRI Equity Strategy seeks growth opportunities by investing in New Zealand and Australian equity markets. Our local equity portfolio management team hand pick stocks that they believe have potential for growth of income and capital. The fund excludes any company that derives more than 10% of its 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.

Five Year Cumulative Performance, $10,000 invested[1,2]

Asset Allocation



Attribution To Performance			
What Helped:		**What Hurt:**	
Sky Network Television	OW	Ryman Healthcare	OW
Sky City	NH	Worley	OW
NextDC	OW	Vital Healthcare Property	NH

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

Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	16.64	Mainfreight	5.15
Infratil	9.73	Spark New Zealand	4.82
Auckland International Airport	9.55	EBOS	4.80
Meridian Energy	6.74	A2 Milk	4.39
Contact Energy	6.69	Summerset	3.68

Sector Allocation (% of fund)	Fund	Benchmark
Health care	28.81	26.32
Industrials	20.71	21.95
Utilities	15.48	16.80
Financials	9.73	10.42
Communication services	8.68	6.74
Real estate	6.76	7.25
Consumer staples	5.57	6.20
Information technology	2.11	1.81
Energy	1.40	0.61
Cash and cash equivalents	0.66	0.00
Consumer discretionary	0.10	1.59
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 U.S. tariffs, announced in early April, would impact them. Not an easy exercise given the constantly changing tariff rates. Also, how different countries were proposing or implementing counter-tariffs. Another source of uncertainty centred on the Middle East unrest, which spread to direct conflict between Iran and Israel. This saw a spike in the oil price before reversing, as a truce was announced 12 days after initial strikes. Despite these events, global equity markets rallied strongly over the quarter. Companies reporting their earnings for the period ended March played a major part in the performance of equity markets. In addition, Central Banks continuing to reduce interest rates was supportive. The Reserve Bank of New Zealand has now cut rates by 2.25% from its peak. Markets were somewhat surprised by the RBNZ's hawkish statement which revealed that one of the six voting members had voted for no change to the Official Cash Rate. Earnings results for New Zealand companies were generally good versus consensus analyst expectations.

Fund Commentary

The largest positive contributors to the fund's relative return were overweight positions in **Sky Network Television** (SKT), **Spark** (SPK), **NextDC** (NXT), and an underweight (nil holding) in restricted stock Sky City (SKC). SKT rose 21.5% over the quarter. While no specific announcements came, it seems increasingly likely that SKT will retain the NZ Rugby rights. With the rights expiring 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. Restricted stock SKC fell 25.4%.

The largest negative contributors to relative return were from overweight positions in **Ryman Healthcare** (RYM), **Worley** (WOR), and an underweight (nil holding) Vital Healthcare Property (VHP). 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, further 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). The NZ REIT sector performed very well over the quarter, and VHP in particular, which rose 17.1% following a stable quarterly update.

Key portfolio changes during the month included adding to our positions in **Freightways** (FRW), **Stride Property Group** (SPG), and **Port of Tauranga** (POT). Reducing **Investore** (IPL) and divesting the fund's holding in Heartland Bank (HGH). (**Bold** denotes stocks held in the portfolio).

Key Fund Facts

Estimated annual fund charges (incl. GST)	
Wholesale: **Retail:** **KiwiSaver:**	Negotiated outside of the unit price. 0.95%, refer to PDS for more details. 0.95%, refer PDS for more details.
Distributions:	
Wholesale: **Retail:** **KiwiSaver:**	Calendar quarter March and September Does not distribute

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.
Exclusions:	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).
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.

Strategy Launch:	January 2008
Strategy size:	$77.2m
Buy / Sell spread:	0.29%/ 0.29%

Compliance

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

Contact Us

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