

Factsheet 31 March 2021

NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

Market Overview

- Over the quarter, most global equity markets delivered positive returns
- The MSCI World index ended the quarter up 5.9%. The United States S&P 500 index rose 5.8%, the Japanese Nikkei 225 index gained 6.3%, the UK FTSE 100 index increased 3.9% - all in local currency.
- Locally, the S&P/NZX 50 index ended the quarter down 3.9%, while the Australian ASX 200 index added 4.3%.

Fund Highlights

- The fund produced a negative 4.6% absolute return for the quarter.
- Overweight positions in ANZ Banking Group, Restaurant Brands and Pushpay added value.
- An overweight position in Contact; alongside nil holdings in Freightways and restricted company SkyCity detracted value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.71%	-4.62%	28.74%	15.11%	16.14%	16.15%
Benchmark ²	2.92%	-3.87%	28.93%	15.65%	14.32%	15.04%

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 De Cesare,
Portfolio Manager



Responsible for the SRI Equity Fund. Covers the Consumer Discretionary and Consumer Staples sectors. Over nine 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.

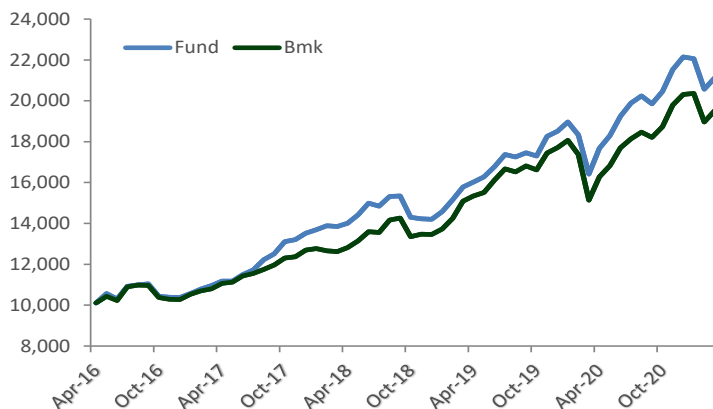
Overview

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.

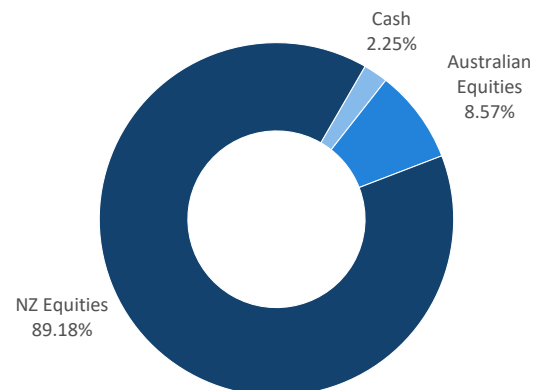
Objective

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

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



Asset Allocation



NIKKO AM SRI EQUITY STRATEGY

Attribution to Performance (quarter)*			
What Helped:		What Hurt:	
ANZ	OW	Contact Energy	UW
Restaurant Brands	OW	Freightways	NH
Pushpay	OW	Port of Tauranga	NH
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings			
Fisher & Paykel Healthcare	14.94%	Fletcher Building Ltd	5.77%
Spark New Zealand Limited	8.53%	Meridian Energy Lt NPV	4.70%
Auckland International Airport	7.26%	The A2 Milk Company	4.69%
Mainfreight Limited	6.12%	Summerset Group Holdings	4.48%
Infratil Limited	6.12%	Contact Energy Limited	4.48%
Number of holdings fund			30

*excludes restricted stocks

Sector Allocation	Fund	Benchmark
Health Care	26.20%	26.27%
Utilities	18.43%	19.12%
Industrials	14.67%	16.95%
Communication Services	11.56%	9.09%
Real Estate	5.77%	8.98%
Materials	5.77%	4.51%
Consumer Staples	4.93%	6.32%
Information Technology	3.74%	2.24%
Financials	3.03%	2.34%
Consumer Discretionary	2.42%	3.04%
Cash	2.25%	0.00%
Energy	1.23%	1.14%

Market Commentary

The market focused on several events and evolving issues over a volatile first quarter of the calendar year. The ongoing COVID-19 pandemic and vaccination effort took centre stage and has helped lift anticipation for a strong recovery in economic performance and associated corporate earnings. This was supported by the US, Australian and New Zealand corporate reporting seasons all delivering sizeable beats to market expectations. As a result of the improving outlook, inflation expectations have been growing. This precipitated a sharp rise in bond yields and a corresponding equity market sell-off through January and February, while March recovered some losses. The benefits of vaccines versus the challenge of higher rates looks set to be the major theme this year. Of note, unexpected volatility gripped the market for a period, driven by the actions of Reddit Groups. These groups surprised the market with their aggregated efforts to buy the shares of target companies identified as having heavy short interest exposure, held by certain hedge funds and institutional investors. The subsequent short squeeze, volatility and uncertainty increased risk aversion among sophisticated market participants.

Fund Commentary

The fund produced a negative 4.6% absolute return for the quarter. The largest positive relative returns were from overweight positions in ANZ Banking Group (ANZ); Restaurant Brands (RBD) and Pushpay (PPH). ANZ up 27.0% said their NZ operations remain core to their strategies following Westpac reviewing its NZ future. RBD up 15.2% continued to rally after managing to deliver a full year profit, despite the disruption and challenges arising from COVID-19. Furthermore, they reaffirmed their commitment to expanding the company and rolling out new stores. PPH up 14.9% after significant shareholders the Huljich family sold their remaining 16% stake in the church software provider to Sixth Street Partners, a US-based investment firm.

The largest negative relative returns were from an overweight position in Contact Energy (CEN) and nil holdings in Freightways (FRE) and restricted company SkyCity (SKC). CEN down 19.4% continued to face the overhang of market positioning ahead of its down weight in the iShares Clean Energy ETF along with the market digesting its \$400mn February equity raise. FRE up 14.5%, as the company benefits from the post COVID-19 recovery and demand momentum for its parcel business.

Key portfolio changes during the quarter included adding Sydney Airport (SYD) to the portfolio. Increases in Ingenia Communities (INA), ANZ Banking Group (ANZ), Fletcher Building (FBU), and Pushpay (PPH). Decreases in Stride Property (SPG) and NextDC (NXT).

Key Fund Facts

Distributions	Estimated annual fund charges		
Calendar quarter.	Wholesale: negotiated outside of fund		
Hedging	Buy / Sell spread:	Strategy Launch Date	Strategy size
Foreign currency exposures 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.	0.29% / 0.29%	January 2008	\$80.4m

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

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