

Factsheet 30 April 2021

NIKKO AM SRI EQUITY STRATEGY

Applies to: Nikko AM Wholesale SRI Equity Fund

Market Overview

- Most global equity markets continued their strong run for the year as lockdowns and restrictions were eased and economic data improved, albeit a watchful eye is on the COVID situation in India.
- The United States S&P 500 index rose 5.2%, the Japanese Nikkei 225 index fell 1.3%, the UK FTSE 100 index increased 3.8%, the Australian ASX 200 index added 3.5% and the MSCI World index ended the month up 3.7%; all in local currency.
- The S&P/NZX 50 index rose 1.4% over the month.

Fund Highlights

- The fund produced a positive 1.9% absolute return for the month, 0.5% ahead of the index.
- Overweight positions Michael Hill and EROAD; and an underweight position in Ryman added value.
- An overweight position in Pushpay and Spark; and an underweight position in Pacific Edge detracted value.

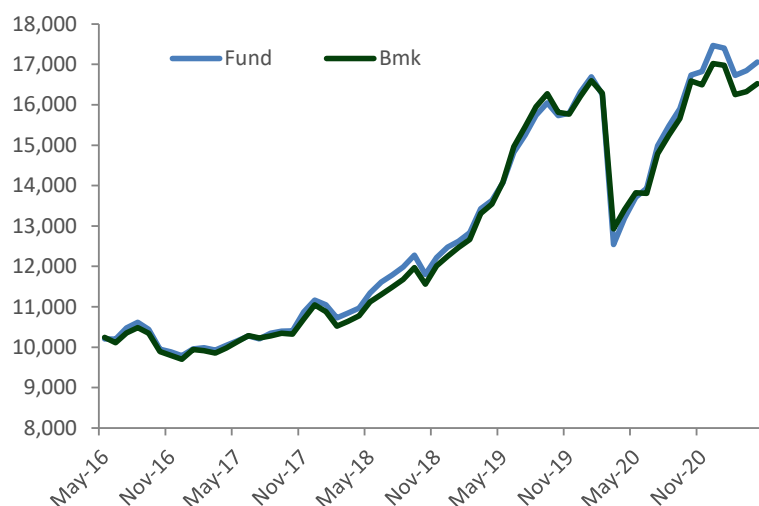
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.85%	-2.49%	21.69%	15.38%	16.33%	16.11%
Benchmark ²	1.36%	-2.83%	21.56%	15.59%	14.39%	14.93%

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.

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



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.

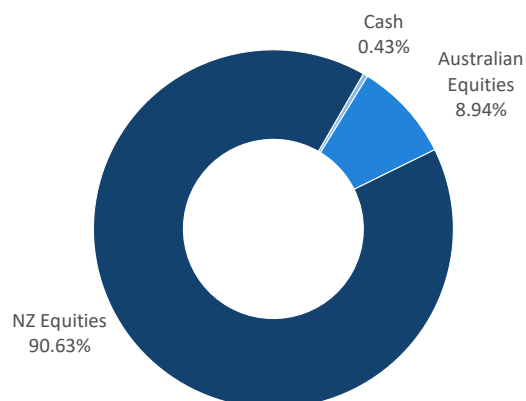
Overview

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.

Asset Allocation



NIKKO AM SRI EQUITY STRATEGY

Attribution to Performance (month)*			
What Helped:		What Hurt:	
Michael Hill International Ltd	OW	Pushpay Holdings Ltd	OW
EROAD Ltd	OW	Spark New Zealand Ltd	OW
Ryman Healthcare Ltd	UW	Pacific Edge Ltd	NH

OW: overweight; UW: underweight; NH: no holding

Top 10 Holdings			
Fisher & Paykel Healthcare	16.12%	Mainfreight Ltd	5.80%
Spark New Zealand Ltd	8.66%	Contact Energy Ltd	5.36%
Auckland International Airport	6.97%	Meridian Energy Ltd	4.89%
Infratil Ltd	6.11%	Summerset Group	4.35%
Fletcher Building Ltd	5.96%	The A2 Milk Company	4.04%
Number of holdings fund			31

*excludes restricted stocks

Sector Allocation	Fund	Benchmark
Health Care	27.26%	27.46%
Utilities	19.60%	19.35%
Industrials	14.21%	16.68%
Communication Services	11.86%	8.76%
Materials	5.96%	4.57%
Real Estate	5.65%	8.96%
Consumer Staples	4.29%	5.64%
Information Technology	3.79%	2.08%
Financials	2.97%	2.32%
Consumer Discretionary	2.85%	3.12%
Energy	1.13%	1.06%
Cash	0.43%	0.00%

Market Commentary

Most global equity markets continued their strong run for the year as lockdowns and restrictions were eased and economic data improved. The New Zealand market is somewhat of an outlier when looking at year to date returns with the S&P / NZX 50 index down 2.6% compared to the US S&P 500 index up 11.3% or the MSCI World index up 9.8%. A watchful eye is on the spread of COVID-19 in South East Asia, in particular the large number of cases being seen in India. News flow was relatively light during the month ahead of companies reporting their March period end results during May.

Fund Commentary

The fund produced a positive 1.9% absolute return for the month. The largest positive relative returns were from overweight positions in **Michael Hill International** (MHJ) and **EROAD Ltd** (ERD); and from an underweight position in **Ryman Healthcare** (RYM).

MHJ up 27% following their positive trading update, and the successful execution in their core strategies during the year. The lack of travel spending dollars appeared to have been redistributed to retail, which helped their performance. ERD up 27% following the announcement that it signed its largest Australian enterprise customer. RYM down 7% following a broker report highlighting the relatively high levels of debt RYM has.

The largest negative relative returns were from an overweight position in **Pushpay** (PPH) and **Spark** (SPK); and a nil position in Pacific Edge (PEB). After rising more than 26% over the previous two months, PPH gave some back in April and ended the month down 12.0%. SPK down 2% and struggled for support with the recent increase in bond yields a headwind for the high yielding and relatively defensive stock. PEB up 14% following an announcement that effective 1 April 2021, its bladder cancer diagnostic test Cxbladder will be covered as a 'medically necessary bladder tumor marker test' by United Healthcare, the largest healthcare group in the US.

Key portfolio changes during the month includes an addition in **Sky Network TV** (SKY). Increases in **Fisher and Paykel** (FPH) and **Contact Energy** (CEN). Decreases in **A2 Milk** (ATM) and **Mainfreight** (MFT).

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

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	\$83m

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

Contact Us www.nikkoam.co.nz | nzenquiries@nikkoam.com

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given, and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.