

Factsheet 30 June 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 7.2%. The United States S&P 500 index rose 8.2%, UK FTSE 100 index increased 4.8%, Hong Kong Hang Seng index increased 1.6%; and the Japanese Nikkei 225 index fell 1.3%.
- Locally, the S&P/NZX 50 index ended the quarter up 0.9%, while the Australian ASX 200 index added 8.3%.

## Fund Highlights

- The fund produced a positive 2.88% absolute return for the quarter.
- Overweight positions in Michael Hill, EROAD, and an underweight in Ryman added value.
- Nil holdings in Arvida, Kathmandu and Heartland detracted value.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	3.77%	2.88%	12.92%	13.18%	16.11%	16.59%
Benchmark <sup>2</sup>	2.79%	0.86%	11.21%	13.16%	13.99%	15.11%

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<sup>1,2</sup>



## 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.

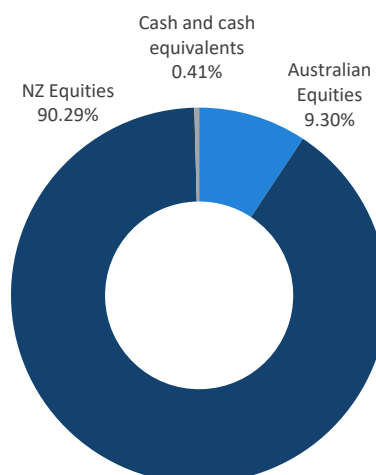
## Overview

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



Attribution to Performance (quarter)*				Sector Allocation (as at quarter end)			
<b>What Helped:</b>		<b>What Hurt:</b>			<b>Fund</b>	<b>Benchmark</b>	
Michael Hill International Ltd	OW	Arvida Ltd	NH	Health care	26.11%	25.95%	
EROAD Ltd	OW	Kathmandu Ltd	NH	Utilities	21.63%	20.09%	
Ryman Healthcare Ltd	UW	Heartland	NH	Industrials	14.58%	16.85%	
OW: overweight; UW: underweight; NH: no holding				Communication services	11.07%	9.31%	
<b>Top 10 Holdings (as at quarter end)</b>				Materials	6.30%	4.76%	
Fisher & Paykel Healthcare	13.91%	Fletcher Building Ltd	6.30%	Real estate	6.01%	9.21%	
Spark New Zealand Ltd	8.13%	Auckland Int. Airport	5.95%	Information technology	4.82%	2.11%	
Contact Energy Ltd	6.63%	Meridian Energy Ltd	5.56%	Financials	3.67%	2.41%	
Infratil Ltd	6.49%	EBOS Group Ltd	4.45%	Consumer discretionary	2.49%	3.21%	
Mainfreight Ltd	6.32%	Summerset Group	4.42%	Consumer staples	2.14%	5.01%	
			<b>Number of holdings</b>	<b>35</b>	Energy	0.78%	1.09%
				Cash and cash equivalents	0.40%	0.00%	

\*excludes restricted stocks

## 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 continues to be somewhat of an outlier when looking at the year-to-date returns with the S&P/NZX 50 index down 3.1% compared to the US S&P 500 index up 14.4%, or the MSCI World index up 13.5%. Large capitalisation stocks remain the main contributor to the S&P/NZX 50 index relative underperformance with Fisher & Paykel Healthcare's result disappointing, an earnings guidance downgrade from A2 Milk and the resignation of Ryman Healthcare's Chief Executive all occurring in the quarter. A watchful eye is on new COVID strains such as the Delta strain that appears to be far more contagious. A number of securities reported results for the period ending March.

## Fund Commentary

The fund produced a positive 2.88% absolute return for the quarter. The largest positive relative returns were from overweight positions in **Michael Hill** (MHJ), **EROAD** (ERD), and an underweight in **Ryman** (RYM). MHJ up 40.7%, following a positive trading update, and evidence of ongoing successful execution of their core strategies. Pent up consumer travel expenditure appears to have been redistributed to other ends such as retail, supporting the industry in general. ERD up 40.5%, having delivered a result which demonstrated ongoing exceptional growth albeit in line with expectations. Importantly further evidence that they continue to build momentum in the Australia and North America markets, especially after signing their largest Australian enterprise customer. RYM down -14.2%, following the surprise resignation of its Chief Executive Officer.

The largest negative relative returns were from nil holdings in Arvida (ARV), Kathmandu (KMD), and Heartland (HGH). ARV up 24.6%, benefited from the strong residential property market. KMD up 22.6%, continues to benefit from buoyant retail sales and announced the appointment of a new Chief Executive. HGH up 18.3%, benefiting from the better than expected economic recovery in NZ.

Key portfolio changes during the quarter included adding Freightways (FRE), Precinct Properties (PCT), Serko (SKO), SKY TV (SKT), and Westpac Bank (WBC), increases in Ryman (RYM), NEXTDC (NXT) and Investore Property (IPL). The fund also decreased holdings in A2 Milk (ATM), EROAD (ERD) and Ingenia (INA). (**Bold** denotes stocks held in the portfolio).

## Key Fund Facts

<b>Distributions</b>	<b>Estimated annual fund charges</b>		
Calendar quarter.	Wholesale: negotiated outside of fund		
<b>Hedging</b>	<b>Buy / Sell spread:</b>	<b>Strategy Launch Date</b>	<b>Strategy size</b>
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	\$67.7m

## Compliance

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

## Contact Us

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