

Factsheet 30 November 2022

NIKKO AM CORE EQUITY STRATEGY

Assets are held in the Nikko AM Wholesale Core Equity Fund. The Nikko AM Core Equity Fund (retail) invests in units in the wholesale fund which the commentary refers to.

Market Overview

- Global equity markets had a strong month on the back of lower-than-expected inflation in the United States and the prospect of smaller-than-expected increases in the Federal Reserve Funds Rate.
- The United States S&P 500 index rose 5.4%, the Japanese Nikkei 225 index added 1.4%, the UK FTSE 100 index gained 6.7%, the Australian ASX 200 index increased 6.6% and the MSCI World index ended the month up 6.3%.
- The S&P/NZX 50 index ended the month up 1.9%.

Fund Highlights

- The fund ended the month 2.2%, and ahead of the index return.
- A number of the fund's holdings reported earnings for the period ended September.
- Underweight positions in Ryman Healthcare and Genesis Energy and an overweight position in NextDC added value.
- Overweight positions in Aristocrat Leisure and Mainfreight together with an underweight position in Fisher & Paykel Healthcare detracted from value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.16%	-0.02%	-6.30%	2.51%	7.83%	13.37%
Benchmark ²	1.92%	-0.08%	-8.42%	1.38%	8.00%	12.20%
Retail ³	2.07%	-0.27%	-7.14%	1.62%	6.79%	12.03%

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.

3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).

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



Portfolio Manager

Stuart Williams,
Head of Equities



Responsible for the Domestic Equities team and managing the Core and Concentrated Funds and associated mandates. Covers the Industrials, Healthcare and Financials sectors. Twenty years of experience in all aspects of the investment management industry with a strong track record in portfolio management of both benchmark relative and high conviction funds. Joined 2014.

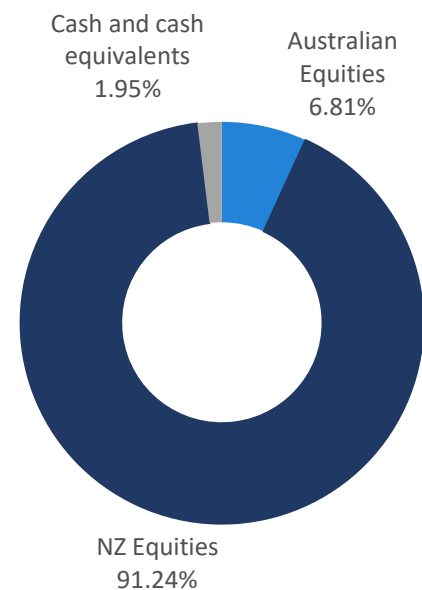
Overview

The Core 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.

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 (month)			
What Helped:		What Hurt:	
Ryman Healthcare Ltd	UW	Fisher&Paykel Healthcare	UW
Genesis Energy Ltd	NH	Aristocrat Leisure	OW
NextDC Ltd	OW	Mainfreight Ltd	OW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	10.08	Mainfreight Limited	6.62
Spark New Zealand Ltd	9.64	EBOS Group Limited	5.87
Infratil Limited	8.73	Fletcher Building Ltd	4.64
Auckland International Airport Ltd	7.38	The A2 Milk Company	4.22
Contact Energy Limited	6.94	Meridian Energy Ltd NPV	4.17

Sector Allocation (% of fund)	Fund	Benchmark
Health care	22.75	23.32
Utilities	22.41	21.23
Industrials	18.64	22.61
Communication services	14.17	11.79
Consumer staples	5.04	5.53
Consumer discretionary	4.86	2.95
Information technology	4.15	1.63
Real estate	3.16	8.56
Cash and cash equivalents	1.95	0.00
Materials	1.54	0.00
Energy	1.33	0.00
Financials	0.00	2.38
Number of holdings	35	50

Market Commentary

Global equity markets are jumping at any sign that interest rates won't peak as high as initially expected. United State inflation came in at 7.7% which was below what the market was expecting. This led to the Nasdaq leaping more than 7% and the S&P 500 more than 5% on the day. Despite what markets are thinking, inflation remains high and central banks are focused on getting on top of it and as a result cash rates continue to be increased. The Reserve Bank of New Zealand is one of the most aggressive and raised rates another 75bps in the month taking the official cash rate to 4.25% and is signalling that it will peak at 5.5%.

Fund Commentary

The fund ended the month up 2.2% and ahead of index return of 1.9%. The largest positive contributors to relative return were underweight positions in **Ryman Healthcare** (RYM) and Genesis Energy (GNE) and an overweight position in **NextDC** (NXT). RYM's result showed debt had continued to grow and now exceeds \$3.0b. RYM ended the month down 20.6%. GNE fell 10.4% on no specific news. NXT returned 16.2% for the month following recent industry updates and the company's AGM where they re-affirmed guidance and commented on expected material new contracts.

The largest negative contributors to relative return were an underweight position in **Fisher & Paykel Healthcare** (FPH) and overweight positions in **Aristocrat Leisure** (ALL) and **Mainfreight** (MFT). FPH announced a stronger than expected result and rose 20.5% over the month and the market contemplated that covid related inventory surpluses were finally clearing. MFT fell 6.0% despite excellent half year performance being released to the market, the focus switched to air and ocean freight rates moderating in the future. ALL fell 6.7% despite an excellent result with strong profit growth (~22% YoY) as the market chose to focus on the company's mobile-games unit performance.

Key portfolio changes during the month were generally reductions in positions in **EBOS Group** (EBO), **Ryman Healthcare** (RYM), **Fletcher Building** (FBU) and **Auckland International Airport** (AIA). (Bold denotes stocks held in the portfolio).

Key Fund Facts

Distributions

Wholesale fund: Calendar quarter.
Retail fund: March and September

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.

Exclusions: Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.

Restrictions: Tobacco stocks, 'controversial weapons', fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <https://www.nikkoam.co.nz/invest/retail>.

Estimated annual fund charges (incl. GST)

Wholesale: Negotiated outside of fund
Retail: 0.95%, refer PDS for more details

Buy/Sell spread	Strategy size	Strategy Launch
0.29% / 0.29%	\$347m	Oct 2007

Compliance

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

Contact Us

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