

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 start to the new year as China's reopening provided optimism to investors and bond yields fell, reinforcing the idea of the January effect.
- The United States S&P 500 index rose 5.7%, the Japanese Nikkei 225 index added 4.7%, the UK FTSE 100 index gained 4.3%, the Australian ASX 200 index increased 6.2% and the MSCI World index ended the month up 5.7%.
- The S&P/NZX 50 index ended the month up 4.3%.

Fund Highlights

- The fund ended the month up 4.7%, 0.4% ahead of the index return
- It was a quiet month for news flow ahead of February when a number of the funds holdings will report results for the period ending December.
- Overweight positions in Allkem, Aristocrat Leisure and Charter Hall Group added value. Underweight positions in Ryman Healthcare and Fisher & Paykel Healthcare and an overweight position in Spark detracted from value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	4.67%	5.95%	3.21%	2.87%	7.80%	13.08%
Benchmark ²	4.31%	5.66%	1.49%	1.40%	8.10%	12.05%
Retail ³	4.56%	5.67%	2.24%	1.98%	6.74%	11.74%

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. 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.

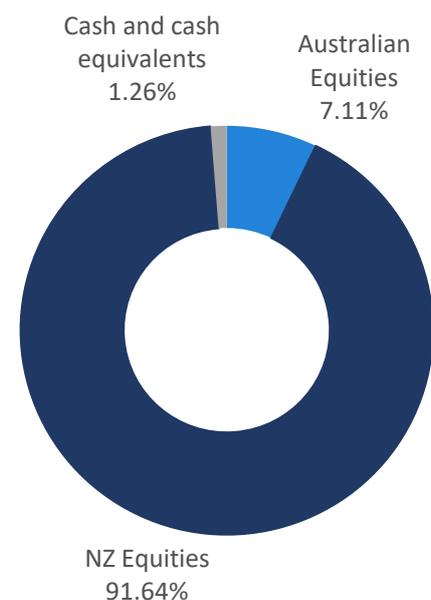
Overview

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)				Sector Allocation (% of fund)		Fund	Benchmark
What Helped:		What Hurt:		Health care		24.70	23.76
Allkem Ltd	OW	Ryman Healthcare	UW	Utilities		22.56	21.55
Aristocrat Leisure Ltd	OW	Spark NZ Ltd	OW	Industrials		17.64	22.23
Charter Hall Group	OW	Fisher & Paykel Healthcare	UW	Communication services		13.98	11.52
OW: overweight; UW: underweight; NH: no holding				Consumer staples		5.19	5.80
Top 10 Holdings (% of fund)				Consumer discretionary		4.44	2.58
Fisher & Paykel Healthcare	11.87	Mainfreight Limited	6.05	Information technology		4.03	1.47
Spark New Zealand Ltd	9.34	EBOS Group Limited	5.47	Real estate		3.17	8.18
Infratil Limited	8.52	The A2 Milk Company	4.57	Materials		1.70	0.47
Auckland International Airport Ltd	7.71	Meridian Energy Ltd NPV	4.42	Energy		1.35	0.00
Contact Energy Limited	6.89	Fletcher Building Ltd	3.88	Cash and cash equivalents		1.26	0.00
				Financials		0.00	2.46
				Number of holdings		35	50

Market Commentary

Global equity markets continue to focus on economic news and how that might impact on where interest rates will peak. Long bonds for key markets fell over the month with the US 10-year bond down 35bps, Australia's down 50bps and New Zealand's down 30bps. China's reopening also gave optimism to investors. This provided a boost to equity markets, reinforcing the idea of the January effect, the belief that the stock market has a tendency to rise in January more than any other month. Inflation continues to be an issue and all eyes will be on central bank meetings and decisions that come out of those during February.

Fund Commentary

The fund ended the month up 4.7%, 0.4% ahead of index return of 4.3%. The largest positive contributors to relative return overweight positions in **Allkem (AKE)**, **Aristocrat Leisure (ALL)** and **Charter Hall Group (CHC)**. AKE bounced back from a weak performance in December with a 15.5% (in AUD) return in January on the back of a record quarterly production from its Lithium mine in Argentina. Following a poor return in December, CHC bounced 14.9% (in AUD). ALL rose 11.3% (in AUD), assisted by corporate activity in the digital gaming sector.

The largest negative contributors to relative return were from underweight positions in **Ryman Healthcare (RYM)** and **Fisher & Paykel Healthcare (FPH)** and an overweight position in **Spark (SPK)**. FPH jumped 11.8% after announcing revenue guidance that was better than the market was expecting. After dropping sharply over the last few months, RYM bounced 29.0% on no specific news. SPK had a strong 2022 relative to the market return but fell 3.6% over January.

Key portfolio changes during the month included adding to positions in AKE, FPH and **Sky Network Television (SKT)**. Positions were reduced in **Mainfreight (MFT)**, **Vulcan Steel (VSL)**, **Fletcher Building (FBU)** and **Contact Energy (CEN)**.

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

Key Fund Facts

Distributions

Wholesale fund: Calendar quarter
Retail fund: March and September

Estimated annual fund charges (incl. GST)

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

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.

Buy/Sell spread 0.29% / 0.29%
Strategy size \$356.6m
Strategy Launch Oct 2007

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

Restrictions: Tobacco stocks, 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>.

Compliance

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

Contact Us

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