

Factsheet 31 January 2023

NIKKO AM SRI EQUITY STRATEGY

Assets are held in the Nikko AM Wholesale SRI Equity Fund. The Nikko AM SRI Equity Fund (retail) and the Nikko AM KiwiSaver SRI invest 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 4.3%, in line with the index return.
- It was a quiet month for news flow ahead of February when a number of the fund's holdings will report results for the period ending December.
- Underweight positions in Precinct Properties and Port of Tauranga and an overweight position Allkem 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	4.35%	6.49%	3.35%	4.49%	9.59%	14.00%
Benchmark ²	4.31%	5.66%	1.49%	1.40%	8.10%	12.05%
Retail ³	4.26%	6.26%	2.22%			
KiwiSaver ^{3,4}	4.26%	6.25%	2.43%	1.89%		

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).
4. KiwiSaver fund transitioned from core strategy to SRI strategy in February 2022.

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 12 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.

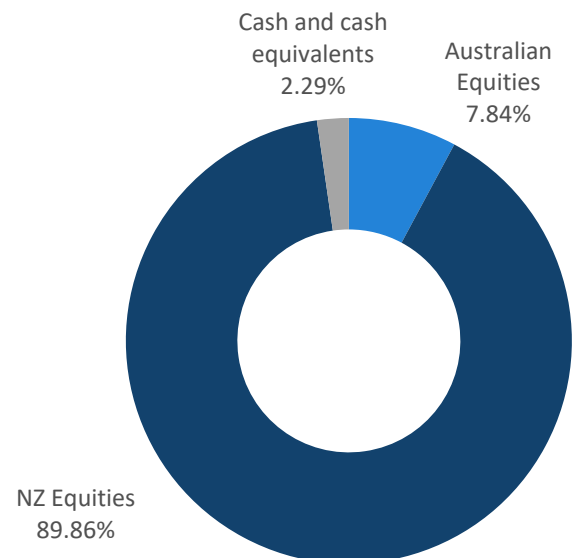
Overview

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 (for the month) *				Sector Allocation	Fund	Benchmark
What Helped:		What Hurt:		Health care	23.80	23.76
Allkem Ltd	OW	Ryman Healthcare Ltd	UW	Utilities	22.46	21.55
Precinct Properties	NH	Spark NZ	OW	Industrials	18.91	22.23
Port of Tauranga Ltd	NH	Fisher & Paykel Healthcare	UW	Communication services	14.25	11.52
OW overweight; UW underweight; NH no holding; RS restricted stock.				Consumer staples	5.45	5.80
Top 10 Holdings				Real estate	4.43	8.18
Fisher & Paykel Healthcare	11.81	Mainfreight Limited	6.08	Information technology	3.78	1.47
Spark New Zealand Ltd	9.56	EBOS Group Limited	5.43	Cash and cash equivalents	2.29	0.00
Infratil Limited	8.37	A2 Milk Company Ltd	4.83	Materials	1.63	0.47
Auckland Int. Airport Ltd	7.99	Meridian Energy Ltd	4.28	Consumer discretionary	1.07	2.58
Contact Energy Limited	6.77	Fletcher Building Ltd	3.87	Energy	1.06	0.00
				Financials	0.87	2.46
				Number of holdings	36	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 4.3%, in line with the index return. The largest positive contributors to relative return were underweight positions (nil holdings) in Precinct Properties (PCT) and Port of Tauranga (POT) and an overweight position **Allkem** (AKE). Property securities have underperformed the general market as investors factor in increasing interest rates and the impact on capitalisation rates and therefore falling property valuations. PCT fell 0.8% over the month. While POT rose 0.2%, its performance was below the index return and as a result added value on a relative basis. 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.

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 FPH, **Sky Network Television** (SKT), **Channel Infrastructure** (CHI), AKE, **Charter Hall** (CCH), **NextDC** (NXT) and **Investore Property** (IPL). Positions were reduced in **Vulcan Steel** (VSL), **Fletcher Building** (FBU) and **Michael Hill International** (MHJ).

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

Key Fund Facts

Distributions

Wholesale fund: Calendar quarter.
Retail fund: March and September
KiwiSaver fund: Does not distribute

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

Restrictions: Tobacco stocks, fossil fuels, adult entertainment, alcohol and gambling. 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

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

Buy / Sell spread: 0.29% / 0.29%
Strategy Launch Date: January 2008
Strategy size: \$67.7m

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

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