

Factsheet 28 February 2023

# 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 were mixed during February with earnings results impacting stock movements along with a push higher in bond yields.
- The United States S&P 500 index fell 2.3%, the Japanese Nikkei 225 index added 0.4%, the UK FTSE 100 index gained 1.4%, the Australian ASX 200 index declined 2.5% and the MSCI World index ended the month down 1.6%.
- The S&P/NZX 50 index ended the month down 0.6%.

## Fund Highlights

- The fund ended the month down 1.2%, 0.6% behind the index return.
- A number of the fund's holdings reported earnings for the period ended December.
- Ryman Healthcare raised \$902m to reduce debt.
- Overweight positions in Aristocrat Leisure and Sky Network Television and an underweight position in Oceania Healthcare added value. Overweight positions in Allkem and Ingenia Communities and an underweight position in Precinct Properties detracted from value.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-1.21%	2.45%	0.68%	3.89%	7.31%	12.80%
Benchmark <sup>2</sup>	-0.61%	3.04%	0.12%	2.54%	8.15%	11.81%
Retail <sup>3</sup>	-1.27%	2.21%	-0.25%	3.00%	6.28%	11.48%

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<sup>1,2</sup>



## 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.

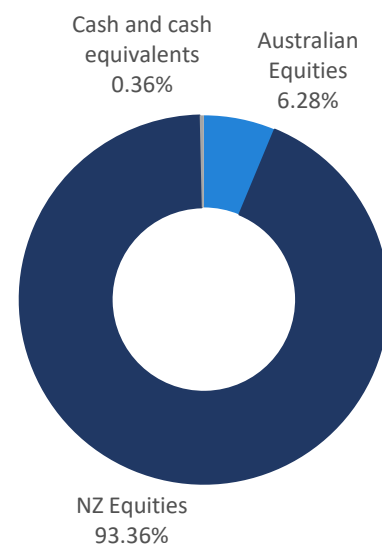
## Overview

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
<b>What Helped:</b>		<b>What Hurt:</b>		Health care	26.88	24.09	
Aristocrat Leisure Ltd	OW	Allkem	OW	Utilities	22.60	21.52	
Sky Network Television	OW	Ingenia Communities	OW	Industrials	16.91	22.37	
Oceania Healthcare	NH	Precinct Properties	NH	Communication services	14.23	11.19	
OW: overweight; UW: underweight; NH: no holding				Consumer staples	5.43	5.58	
Top 10 Holdings (% of fund)				Consumer discretionary	4.25	2.67	
Fisher & Paykel Healthcare	12.29	Mainfreight Limited	5.67	Information technology	3.86	1.44	
Spark New Zealand Ltd	9.35	EBOS Group Limited	5.58	Real estate	2.95	8.29	
Infratil Limited	8.14	The A2 Milk Company	5.03	Energy	1.45	0.00	
Auckland International Airport Ltd	8.06	Meridian Energy Ltd NPV	4.50	Materials	1.07	0.44	
Contact Energy Limited	7.04	Ryman Healthcare Ltd	3.70	Cash and cash equivalents	0.36	0.00	
				Financials	0.00	2.42	
				<b>Number of holdings</b>	<b>35</b>	<b>50</b>	

## Market Commentary

Global equity markets were mixed during February with earnings results impacting stock movements along with a push higher in bond yields. Key central banks lifted cash rates during the month as they continue their battle with inflation. Investors are looking for signals that rate increases have taken rates near to or are at their peak. Central banks are talking a tough game and will do whatever is necessary to get inflation back to target ranges. In results we have seen good revenue growth but offset by increased operating expenses and interest costs.

## Fund Commentary

The fund ended the month down 1.2%, 0.6% behind the index return of 0.6%. The largest positive contributors to relative return overweight positions in **Aristocrat Leisure** (ALL) and **Sky Network Television** (SKT) and an underweight position in Oceania Healthcare (OCA). ALL rose 7.6% (in AUD), assisted by announcing an extension and increase in its share buyback. SKT ended the month up 4.6% after reporting a solid result and also announced a share buyback. OCA was no doubt impacted by sector peer **Ryman Healthcare's** (RYM) capital raising and fell 12.4% over the period.

The largest negative contributors to relative return were from overweight positions in **Allkem** (AKE) and **Ingenia Communities** (INA) and an underweight position in Precinct Properties (PCT). Following a strong January, AKE fell 12.6% (in AUD) despite announcing a broadly in line earnings result. INA fell 13.2% (in AUD) after downgrading earnings guidance due to lower home deliveries in the period. PCT rose 6.0% assisted by an earnings result where it reconfirmed its dividend. It was also pushed higher on the last day of the month as index movements played a part.

Key portfolio changes during the month included adding to positions in RYM, AKE, **Channel Infrastructure** (CHI), SKT and **A2 Milk** (ATM). Positions were reduced in ALL, **Vulcan Steel** (VSL), **Fletcher Building** (FBU), **Scales** (SCL), **EBOS** (EBO), **Mainfreight** (MFT), **Waypoint REIT** (WPR) and **Infratil** (IFT).

(**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** \$348.8m    **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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