

# 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

- While global equity markets were mostly positive over the quarter, there was quite a large range in returns driven by stock specific events, economic data and interest rate movements.
- The United States S&P 500 index rose 8.3%, the Japanese Nikkei 225 index jumped 18.4%, the UK FTSE 100 index fell 1.3%, the Australian ASX 200 index gained 1.0% and the MSCI World index ended the quarter up 6.6%.
- The S&P/NZX 50 index ended the quarter up 0.4%.

## Fund Highlights

- The fund ended the quarter up 1.8%, 1.4% ahead of the index return.
- A number of the fund's holdings reported results for the period ended 31 March.
- The Pushpay takeover was concluded with its delisting from the NZX and payment received by the fund for its holding.
- NextDC completed a \$618m capital raise to fund new data centres while Infratil raised in excess of \$900m to fund the purchase of the half of One NZ that it didn't already own.
- Overweight positions in Infratil, Allkem, and Ryman Healthcare added value. Overweight positions in Ramsay Healthcare and A2 Milk and an underweight position in Goodman Property 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>	0.82%	1.78%	12.58%	4.07%	6.06%	12.87%
Benchmark <sup>2</sup>	0.93%	0.37%	10.57%	2.08%	6.74%	11.51%
Retail <sup>3</sup>	0.73%	1.54%	11.53%	3.16%	5.09%	11.57%

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

**Michael Sherrock,**  
**Co-Head of Equities**



Michael joined Nikko AM in 2006 and covers the Property, Energy, Materials, Metals and Mining and Media sectors. He has over 20 years' experience and previously held roles with Schroders UK and ASB Group Investments. Michael is a CFA charter-holder and holds a Bachelor of Commerce degree from the University of Auckland.

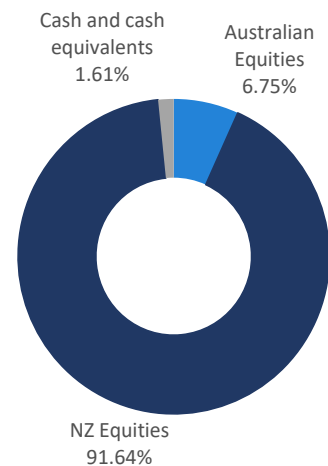
## Overview

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 (Quarter)				Sector Allocation (% of fund)	Fund	Benchmark
<b>What Helped:</b>		<b>What Hurt:</b>		Health care	25.76	23.32
Infratil	OW	Ramsay Healthcare	OW	Utilities	25.65	23.92
Allkem	OW	The A2 Milk Company	OW	Industrials	16.87	22.60
Ryman Healthcare	OW	Goodman property	NH	Communication services	14.61	11.40
OW: overweight; UW: underweight; NH: no holding				Consumer discretionary	4.04	2.43
<b>Top 10 Holdings (% of fund)</b>				Consumer staples	4.04	4.24
Fisher & Paykel Healthcare	11.60	Mainfreight Limited	5.33	Real estate	2.92	8.37
Infratil Limited	10.29	Meridian Energy Ltd NPV	4.95	Information technology	1.94	0.65
Spark New Zealand Ltd	9.65	EBOS Group Limited	4.75	Cash and cash equivalents	1.61	0.00
Auckland International Airport Ltd	8.29	Ryman Healthcare Ltd	4.28	Materials	1.35	0.43
Contact Energy Limited	7.47	The A2 Milk Company	4.03	Energy	1.21	0.30
				Financials	0.00	2.34
				<b>Number of holdings</b>	<b>31</b>	<b>50</b>

## Market Commentary

Global equity markets were mostly positive over the quarter with earnings results affecting specific stocks while interest rate moves and economic data drove the broader market. The New Zealand earnings results were generally in line with expectations with a couple of exceptions. Fisher & Paykel Healthcare disappointed the market with its outlook and given its large weight in the index it was a material drag to the return of the S&P / NZX 50 index. EBOS was also a large negative contributor to the index return over the quarter after unexpectedly announcing the loss of a major contract. On monetary policy, most key central banks raised rates over the quarter with the US Federal Reserve, the European Central bank, the Bank of England, the Bank of Canada, the Reserve Bank of Australia and the Reserve Bank of New Zealand all raising their official cash rates. Several of the rate increases were unexpected by the market - either being more than expected or raising when not expected to at all. The RBNZ stuck to their previously guided peak cash rate where the market had started pricing a higher peak rate.

## Fund Commentary

The fund ended the quarter up 1.8%, 1.4% ahead of the index return. The largest positive contributors to relative return were overweight positions in **Allkem** (AKE), **Infratil** (IFT) and **Ryman** Healthcare (RYM). AKE announced a merger agreement with Livent, a lithium miner and processor listed on the NYSE which should deliver material synergies and diversification. AKE rose 34.9% (in AUD) over the quarter. IFT announced a good earnings result and outlook along with a capital raise to purchase the half of One NZ it didn't already own. The stock provided a 13.7% return to the fund over the period. RYM, rose 25.3% on the back of a better-than-expected result along with improving housing market sentiment.

The largest negative contributors to relative return were from overweight positions in **Ramsay** Healthcare (RHC) and **A2 Milk** (ATM) and an underweight position in Goodman Property (GMT). RHC's third quarter trading update was weaker than market expectations and as a result the stock fell 15.4% (in AUD). Following a large downgrade by ATM supplier Synlait Milk (SML), ATM announced its sales growth would be at the low end of its guidance and ended the quarter down 14.3%. GMT rose 4.5% following a result that showed the continued demand for good industrial property.

Key portfolio changes during the quarter included adding to its position in **NextDC** (NXT), and **IFT** through their capital raisings. Positions added to include **ATM**, **AKE**, **EBOS** (EBO), **Charter Hall Group** (CHC) **Auckland International Airport** (AIA) and **Contact Energy** (CEN). Positions were reduced in **Fletcher Building** (FBU), **RYM**, **Mainfreight** (MFT) and **Scales** (SCL). The fund's positions in Eroad (ERD) and Pacific Edge (PEB) were divested while PushPay was removed through the completion of the takeover. (**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	Strategy size	Strategy Launch
0.29% / 0.29%	\$338.1m	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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