

# Nikko AM Core Equity Strategy

Monthly Update 30 November 2023

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 very strong month, recovering October's losses as bond yields fell sharply.
- The United States S&P 500 index rose 8.9%, the Japanese Nikkei 225 added 8.5%, the UK FTSE 100 index gained 1.8%, the Australian ASX 200 index increased 5.0% and the MSCI World index ended the month up 7.6% (in local terms).
- The S&P/NZX 50 index ended the month up 5.4%.

## Fund Highlights

- The fund ended the month up 4.2%, 1.1% behind the index return.
- There were a number of company results announcements and Annual Shareholder Meetings during the month.
- Sky Network Television announced they had ceased talks with the bidder for the company due to the bid price not being sufficient.
- MSCI index flows on the last day of the month had a material impact on a number of stock prices.
- Underweight positions in Stride Property and KMD Brands and an overweight position in Charter Hall Group added value. Overweight positions in Allkem, Sky Network Television and Infratil detracted from value.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	4.26%	-2.28%	0.09%	-1.30%	6.47%	11.19%
<b>Benchmark<sup>2</sup></b>	5.35%	-1.54%	-1.04%	-3.15%	5.95%	10.08%
<b>Retail<sup>3</sup></b>	4.17%	-2.49%	-0.81%	-2.17%	5.45%	9.94%

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,**  
**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 charterholder and holds a Bachelor of Commerce degree from the University of Auckland.

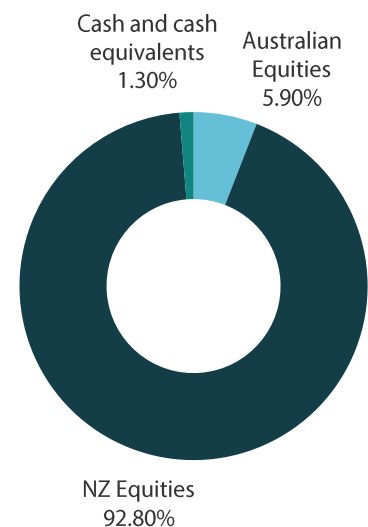
## Overview

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				Sector Allocation (% of fund)		
<b>What Helped:</b>		<b>What Hurt:</b>			<b>Fund</b>	<b>Benchmark</b>
Charter Hall	NH	Sky Network TV	OW	Utilities	26.56	24.33
Stride Property	UW	Allkem	OW	Health care	26.33	23.35
KDM Brands	UW	Infratil	OW	Industrials	16.70	22.76
OW: overweight; UW: underweight; NH: no holdings				Communication services	16.07	11.83
<b>Top 10 Holdings (% of fund)</b>				Consumer discretionary	3.52	2.14
Fisher & Paykel Healthcare	12.03	Meridian Energy	5.20	Consumer staples	2.83	3.61
Spark New Zealand	10.66	Mainfreight	4.91	Information technology	2.28	0.66
Infratil	10.42	EBOS	4.78	Real estate	2.18	8.15
Auckland International Airport	8.90	Ryman Healthcare	4.21	Cash and cash equivalents	1.30	0.00
Contact Energy	7.85	Summerset	3.70	Energy	1.19	0.33
				Materials	1.04	0.45
				Financials	0.00	2.40
				<b>Number of holdings</b>	<b>28</b>	<b>50</b>

## Market Commentary

Global equity markets had a very strong month, recovering October's losses as bond yields fell sharply on signs that rate hikes might be over in the United States. In contrast the Reserve Bank of Australia hiked rates early in November and the Reserve Bank of New Zealand signalled that rate cuts are further out than they had previously signalled. Interest rate moves and expectations continue to dominate the equity market rather than earnings results and the outlook for earnings. Outside of results and shareholder meetings, EBOS got some attention as it went into trading halt for several days due to media speculation they were in discussion to buy the Greencross vet and pet retail business. Ultimately the deal didn't eventuate, likely due to not getting enough support from investors.

## Fund Commentary

The largest positive contributors to the funds relative return were underweight positions in positions **Stride Property** (SPG) and **KMD Brands** (KMD) and an overweight position in Charter Hall Group (CHC). SPG had a very strong performance in October and gave up some of that in November, ending down 4.4% despite an earnings result in line with expectations. KMD fell 7.2% as it is impacted by a slowing economy and didn't provide a trading update at its Annual Shareholder Meeting other than to say that the environment remains challenging. CHC had a strong performance as bond yields fell and we took advantage of that to exit our position. Our exit during the month of CHC provided a 25.9% (in AUD) return vs the CHC return of 20.0% (in AUD) over the full month.

The largest negative contributors to our relative return were from overweight positions in **Allkem** (AKE), **Sky Network Television** (SKT) and **Infratil** (IFT). AKE continues to be dragged down by weak lithium prices and ended the month 9.9% (in AUD) lower. SKT fell 4.2% after ending discussion with regard to a takeover offer. While IFT rose 0.1%, it was below the index return and as a result our overweight position detracted from relative value.

Key portfolio changes during the month included adding to our position in **Contact Energy** (CEN), **Ryman Healthcare** (RYM) and **Summerset** (SUM). Positions in **A2 Milk** (ATM), **EBOS** (EBO), IFT, **Mainfreight** (MFT), **Meridian** (MEL), **Restaurant Brands** (RBD) and **Spark** (SPK) were reduced. The funds holding in CHC was divested.

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

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Exclusions:</b>	Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).	<b>Strategy Launch:</b>	October 2007
<b>Wholesale:</b>	Negotiated outside of the unit price.	<b>Restrictions:</b>	Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .	<b>Strategy size:</b>	\$300.8m
<b>Retail:</b>	0.95%, refer to PDS for more details.			<b>Buy / Sell spread:</b>	0.29%/0.29%
<b>Distributions</b>					
<b>Wholesale:</b>	Calendar quarter				
<b>Retail:</b>	March and September				

## Compliance

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

## Contact Us

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