

Nikko AM Core Equity Strategy

Monthly Update 31 January 2024

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 have had a solid start to the year with most markets continuing on from the good performance seen in November and December.
- The United States S&P 500 index rose 1.6%, the Japanese Nikkei 225 jumped 8.4%, the UK FTSE 100 index declined 1.3%, the Australian ASX 200 index increased 1.2% and the MSCI World index ended the month up 1.2% (in local terms).
- The S&P/NZX 50 index ended the month up 0.9%.

Fund Highlights

- The fund ended the month up 1.3%, 0.4% ahead of the index return.
- A number of companies provided updates on earnings guidance ahead of reporting results for the period ending December which will be reported in February.
- Overweight positions in Infratil and Summerset and an underweight position in Port of Tauranga added value. Overweight positions in Arcadium Lithium, Ryman Healthcare and Ramsay Health Care detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	1.26%	9.96%	1.79%	-0.17%	7.10%	11.59%
Benchmark²	0.87%	10.47%	0.09%	-2.53%	6.56%	10.42%
Retail³	1.16%	9.66%	0.86%	-1.07%	6.08%	10.34%

1. Returns are before tax and before the deduction of fees and including tax credits (if any).
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).

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.

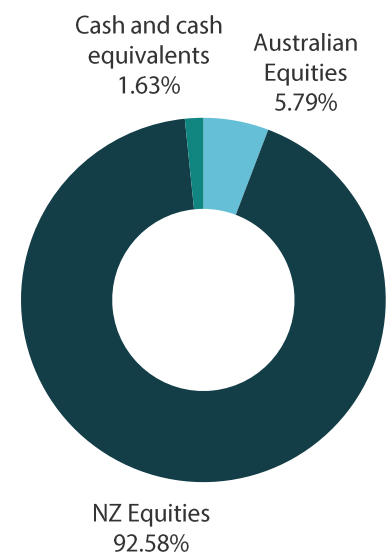
Objective

The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

Five-Year Cumulative Performance, \$10,000 invested^{1,2}



Asset Allocation



Attribution To Performance				Sector Allocation (% of fund)			Fund	Benchmark
What Helped:		What Hurt:		Industrials		27.01	29.80	
Infratil	OW	Arcadium Lithium	OW	Health care		26.23	22.79	
Summerset	OW	Ryman Healthcare	OW	Utilities		15.86	17.21	
Port of Tauranga	NH	Ramsay Health Care	OW	Communication services		15.66	11.47	
OW: overweight; UW: underweight; NH: no holdings				Consumer discretionary		3.50	2.23	
Top 10 Holdings (% of fund)				Consumer staples		3.50	4.03	
Fisher & Paykel Healthcare	11.60	Meridian Energy	5.16	Real estate		2.27	8.24	
Infratil	10.50	Mainfreight	4.84	Information technology		2.21	1.20	
Spark New Zealand	10.37	EBOS	4.62	Cash and cash equivalents		1.63	0.00	
Auckland International Airport	8.94	Ryman Healthcare	4.38	Energy		1.24	0.30	
Contact Energy	7.70	Summerset	3.97	Materials		0.90	0.43	
				Financials		0.00	2.29	
				Number of holdings		28	50	

Market Commentary

Despite continuing tensions in the Middle East, including attacks on ships in the Red Sea, global equity markets have had a solid start to the year. The United States released several strong pieces of economic data including robust jobs report, steady unemployment and much better economic growth. This, along with a continued view that rate cuts are on the horizon, gave investors confidence in the equity market. Following the Federal Open Market Committee meeting where rates were left unchanged, the Governor of US Federal Reserve stressed that they are in no rush to cut rates. This led to a drop in the US market on the last day of the month. Commentary from Central Banks over the coming months around timing of rate cuts will be important for the performance of markets. February will see a number of companies report results for the period ending December. As per normal, earnings results along with outlook comments will be important for investors and stock price movements.

Fund Commentary

The largest positive contributors to the fund's relative return were overweight positions in **Infratil** (IFT) and **Summerset** (SUM) and an underweight position in Port of Tauranga (POT). IFT rose 5.3% following a positive revaluation of its Canberra Data Centre investment along with announcing the signing of new customer contracts that underwrite further development. SUM announced strong sales numbers of new and resale units for the last quarter of 2023. This should support a reasonable 2023 result and good momentum into 2024. POT fell 4.8% on no specific news.

The largest negative contributors to relative return were from overweight positions in **Arcadium Lithium** (LTM), **Ryman Healthcare** (RYM) and **Ramsay Health Care** (RHC). Both RHC and RYM fell on no specific news, down 2.6% (in AUD) and 3.4% respectively. With the merger complete between Allkem and Livent, LTM started trading in late December and was relatively strong into the end of the year. With weak lithium prices, LTM came under pressure in January and fell 30.6% (in AUD).

Key portfolio changes during the month included adding to our positions in **A2 Milk** (ATM), **Auckland International Airport** (AIA), **Fletcher Building** (FBU) and **RYM**. Positions in **Contact Energy** (CEN), IFT, **Mainfreight** (MFT), **Mercury** (MCY), **Meridian Energy** (MEL), **NextDC** (NXT), **SUM** and **Spark** (SPK) were reduced.

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

Key Fund Facts

Estimated annual fund charges (incl. GST)		Exclusions:	Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy Launch:	October 2007
Wholesale:	Negotiated outside of the unit price.	Restrictions:	Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://www.nikkoam.co.nz/invest/retail .	Strategy size:	\$315.9m
Retail:	0.95%, refer to PDS for more details.			Buy / Sell spread:	0.29%/0.29%
Distributions	Calendar quarter				
Wholesale:	March and September				
Retail:					

Compliance

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

Contact Us

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