

Factsheet 30 April 2021

# NIKKO AM CORE EQUITY STRATEGY

Assets are held in the Nikko AM Wholesale Core Equity Fund. The Nikko AM Core Equity Fund (retail) and Nikko AM KiwiSaver Core Equity Fund invest in units in the wholesale fund, which the commentary refers to.

## Market Overview

- Most global equity markets continued their strong run for the year as lockdowns and restrictions were eased and economic data improved, albeit a watchful eye is on the COVID situation in India.
- The United States S&P 500 index rose 5.2%, the Japanese Nikkei 225 index fell 1.3%, the UK FTSE 100 index increased 3.8%, the Australian ASX 200 index added 3.5% and the MSCI World index ended the month up 3.7%; all in local currency.
- The S&P/NZX 50 index rose 1.4% over the month.

## Fund Highlights

- The fund ended the month up 1.7%, 0.3% ahead of the index.
- News flow was relatively light ahead of a number of the fund's holdings reporting results for the period ending March. In addition, several investor days are planned over the next month.
- EROAD announced it has signed a large Australian customer while Summerset reported strong sales and resales figures for the March quarter.
- Underweight positions in Ryman Healthcare and Port of Tauranga and an overweight position in EROAD added value. Overweight positions in Z Energy, Spark and Pushpay detracted from value.

## Performance

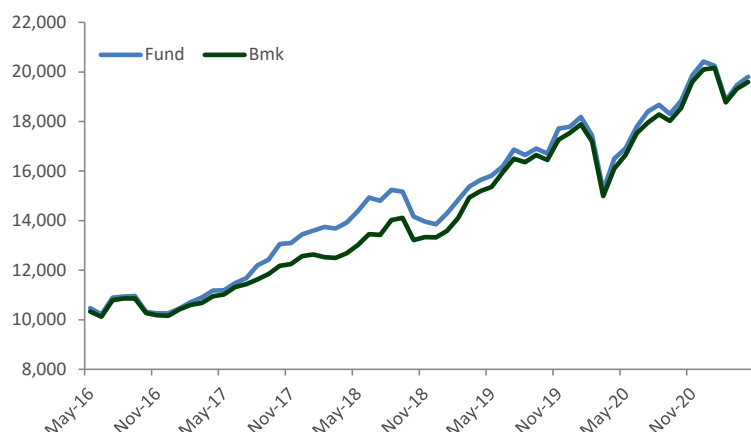
|                        | One month | Three months | One year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale <sup>1</sup> | 1.68%     | -2.25%       | 19.92%   | 12.44%            | 14.64%           | 15.45%          |
| Benchmark <sup>2</sup> | 1.36%     | -2.83%       | 21.56%   | 15.59%            | 14.39%           | 15.04%          |
| Retail <sup>3</sup>    | 1.70%     | -2.42%       | 18.98%   | 11.33%            | 13.29%           | 14.04%          |
| KiwiSaver <sup>3</sup> | 1.70%     | -2.43%       | 18.44%   | 11.49%            |                  |                 |

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 and associated mandates. 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.

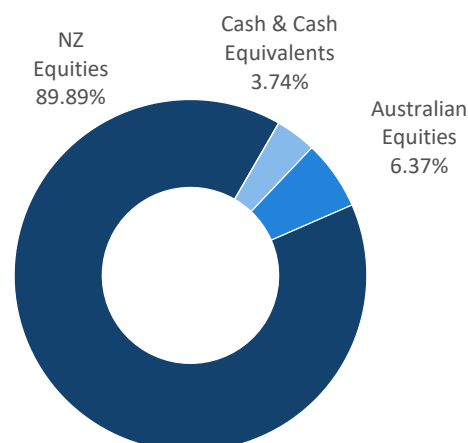
## Overview

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)              |        |                       |       |
|---|--------|-----------------------|-------|
| What Helped:                                    |        | What Hurt:            |       |
| EROAD Ltd                                       | OW     | Pushpay Holdings Ltd  | OW    |
| Ryman Healthcare Ltd                            | UW     | Z Energy Ltd          | OW    |
| NextDC Ltd                                      | OW     | Spark New Zealand Ltd | OW    |
| OW: overweight; UW: underweight; NH: no holding |        |                       |       |
| Top 10 Holdings                                 |        |                       |       |
| Fisher & Paykel Healthcare                      | 15.86% | Summerset Group Ltd   | 5.12% |
| Spark New Zealand Ltd                           | 8.78%  | Contact Energy Ltd    | 5.04% |
| Auckland International Ltd                      | 6.32%  | Fletcher Building Ltd | 4.65% |
| Mainfreight Ltd                                 | 6.06%  | Meridian Energy Ltd   | 4.56% |
| Infratil Ltd                                    | 5.94%  | The A2 Milk Company   | 4.11% |
| Number of holdings                              |        |                       | 31    |

| Sector Allocation      | Fund   | Benchmark |
|------------------------|--------|-----------|
| Health Care            | 27.04% | 27.46%    |
| Utilities              | 18.19% | 19.35%    |
| Industrials            | 13.18% | 16.68%    |
| Communication Services | 11.36% | 8.76%     |
| Consumer Discretionary | 4.91%  | 3.12%     |
| Materials              | 4.65%  | 4.57%     |
| Consumer Staples       | 4.37%  | 5.64%     |
| Information Technology | 4.20%  | 2.08%     |
| Real Estate            | 4.00%  | 8.96%     |
| Cash                   | 3.74%  | 0.00%     |
| Energy                 | 3.07%  | 1.06%     |
| Financials             | 1.30%  | 2.32%     |

## Market Commentary

Most global equity markets continued their strong run for the year as lockdowns and restrictions were eased and economic data improved. The New Zealand market is somewhat of an outlier when looking at year to date returns with the S&P / NZX 50 index down 2.6% compared to the US S&P 500 index up 11.3% or the MSCI World index up 9.8%. A watchful eye is on the spread of COVID-19 in South East Asia, in particular the large number of cases being seen in India. News flow was relatively light during the month ahead of companies reporting their March period end results during May.

## Fund Commentary

The fund ended the month up 1.7%, 0.3% ahead of the index return. The largest positive contributors to relative return were underweight positions in **Ryman Healthcare** (RYM) and Port of Tauranga (POT) and an overweight position in **EROAD** (ERD). RYM fell 7.3% over the month following a broker report highlighting the relatively high levels of debt RYM has. In addition, investors are weighing up the potential for a weaker than normal result when RYM releases its numbers in May. POT fell 4.0% on specific news while ERD rose 27.2% following the announcement that it signed its largest Australian enterprise customer. **Next DC** (NXT) rallied 10% over the month supported by positive price target revision from sharebrokers and absent other material news.

The largest negative contributors to relative return were overweight positions in **Z Energy** (ZEL), **Spark** (SPK) and **Pushpay** (PPH). ZEL continues to struggle for support and ended the month down 5.3%. SPK also struggled for support with the recent increase in bond yields a headwind for the high yielding and relatively defensive stock. After rising more than 26% over the previous two months, PPH gave some back in April and ended the month down 12.0%.

Key portfolio changes during the month included adding to positions in **Fletcher Building** (FBU), **Contact Energy** (CEN), **Meridian Energy** (MEL) and RYM while modestly reducing the funds position in **Fisher & Paykel Healthcare** (FPH).

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

## Key Fund Facts

|   |                     |  |                                    |                        |
|---|---------------------|--|------------------------------------|------------------------|
| <b>Distributions</b>  |                     | <b>Estimated annual fund charges (incl. GST)</b> |                                    |                        |
| Wholesale fund:   | Calendar quarter    | Wholesale:                                       | Negotiated outside of fund         |                        |
| Retail fund:  | March and September | Retail:  | 0.95%, refer PDS for more details  |                        |
| KiwiSaver fund:   | Does not distribute | KiwiSaver:                                       | 0.95%, refer PDS for more details. |                        |
| <b>Hedging</b>  |                     | <b>Buy / Sell spread</b>                         | <b>Strategy size</b>               | <b>Strategy Launch</b> |
| 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. |                     | 0.29% / 0.29%                                    | \$406.4m                           | October 2007           |

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

## Contact Us

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