

Factsheet 30 September 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

- Global equity markets were mixed over the quarter with the prospect of interest rate increases in 2022, Chinese regulation of industries and companies and the potential collapse of the Evergrande Group weighing on markets. On the positive side, the rollout of COVID-19 vaccines allowed more freedom in a number of countries. Locally the Reserve Bank of New Zealand was set to raise the Official Cash Rate before a surprise COVID-19 outbreak in New Zealand put that on hold.
- The United States S&P 500 index rose 0.2%, the Japanese Nikkei 225 index gained 2.3%, the UK FTSE 100 index increased 0.7%, the Australian ASX 200 index added 1.7% and the MSCI World index ended the month down 0.4%.
- The S&P/NZX 50 index had a strong quarter rising 5.2%

## Fund Highlights

- The fund ended the quarter up 6.2%, 1.1% ahead of the index.
- A number of the fund's holdings reported earnings results for the period ending June with results generally inline or better than expected.
- EROAD raised \$80.5m to fund the acquisition of a complimentary business while Pacific Edge raised \$80m to fund growth and strengthen its balance sheet.
- Overweight positions in Sydney Airport, Z Energy and Summerset added value. An overweight position in Sky City Entertainment and an underweight position in Ryman Healthcare detracted from value.

## Performance

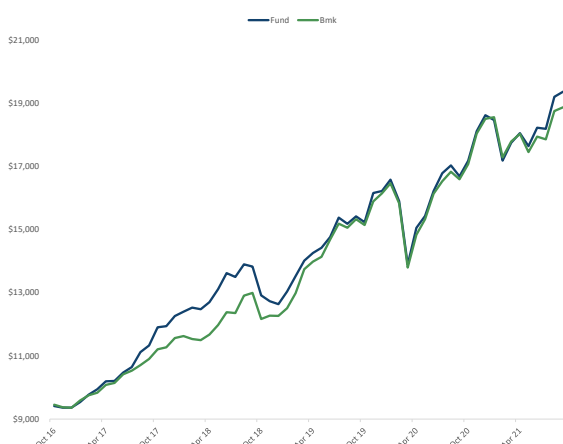
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	0.83%	6.25%	16.02%	11.87%	14.13%	16.86%
Benchmark <sup>2</sup>	0.63%	5.17%	13.72%	13.24%	13.55%	16.06%
Retail <sup>3</sup>	0.75%	5.99%	15.06%	10.80%	12.86%	15.43%
KiwiSaver <sup>3</sup>	0.75%	6.00%	14.59%	11.04%		

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.

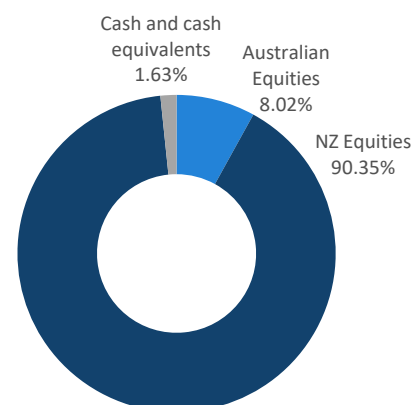
## Overview

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 (quarter)			
<b>What Helped:</b>		<b>What Hurt:</b>	
Sydney Airport	OW	Ryman Healthcare Ltd	UW
Z Energy Ltd	OW	Skycity Entertainment	OW
Summerset Ltd	OW	Pacific Edge	OW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings (as at quarter end)			
Fisher & Paykel Healthcare	13.41%	Auckland Int Airport Ltd	5.81%
Mainfreight Ltd	7.49%	Summerset Group	5.71%
Infratil Ltd	6.62%	Fletcher Building Ltd	4.91%
Spark NZ Ltd	6.56%	EBOS Group Ltd	4.41%
Contact Energy Ltd	6.55%	Meridian Energy Ltd	4.41%

Sector Allocation (as at quarter end)	Fund	Benchmark
Health care	26.79%	26.90%
Utilities	20.09%	18.92%
Industrials	19.13%	22.64%
Communication services	9.84%	9.06%
Energy	5.07%	1.32%
Consumer discretionary	4.40%	2.95%
Information technology	4.33%	2.23%
Consumer staples	3.33%	4.94%
Real estate	3.19%	9.01%
Financials	2.20%	2.03%
Cash and cash equivalents	1.63%	0.00%
<b>Number of holdings</b>	<b>35</b>	<b>50</b>

## Market Commentary

Global equity markets were mixed over the quarter with the prospect of interest rate increases in 2022, Chinese regulation of industries and companies and the potential collapse of the Evergrande Group weighing on markets. The Chinese equity market was particularly affected with the CSI 300 index down 6.9% over the quarter. Despite the spread of the Delta variant of COVID-19 around the world the vaccine rollout has enabled more freedom in many countries. With inflation moving higher and unemployment low the Reserve Bank of New Zealand was set to raise the Official Cash Rate before a surprise COVID-19 outbreak in New Zealand put that on hold. Earnings results in New Zealand for the period ending June were good but with the COVID-19 outbreak the near-term outlook is uncertain.

## Fund Commentary

The fund ended the quarter up 6.25% and 1.1% ahead of the index return. The largest positive contributors to relative return were overweight positions in **Sydney Airport** (SYD), **Z Energy** (ZEL) and **Summerset** (SUM) and **New Zealand Refining** (NZR) and an underweight position in Kathmandu (KMD). SYD jumped 35% after announcing an indicative non-binding bid from a consortium of the investors at \$8.25, a circa 42% premium to the pre-bid price. ZEL rose 19.0% after announcing that it had received a conditional takeover bid from Ampol. SUM rose 17.1% after reporting a very strong half year result and a better-than-expected build rate for the year.

The largest negative contributors to relative return were overweight positions in **Sky City Entertainment** (SKC) and an underweight position in **Ryman Healthcare** (RYM). SKC fell 6.1% as its key money maker - the Auckland casino, was closed due to the move to alert level 4 in Auckland due to the COVID-19 outbreak. RYM rose 15.0%, dragged up by SUM's strong result along with the continued strength in the housing market.

Key portfolio changes during the quarter included adding **Pacific Edge** (PEB) and **Radius Residential Care** (RAD) through their capital raisings to the portfolio. Positions in **Mercury Energy** (MCY), ZEL, **A2 Milk** (ATM), **Chorus** (CNU), **Contact Energy** (CEN), **Sky Network Television** (SKT) and **Z Energy** (ZEL) were increased. Positions in **ANZ Bank** (ANZ), **Spark** (SPK), **Aristocrat Leisure** (ALL) and **Fletcher Building** (FBU) were reduced. The fund's positions in Argosy Property (ARG) and Stride Property (SPG) were divested.

(**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%	\$428.8m	October 2007

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

## Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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