

Factsheet 30 November 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 took a hit during November as investors became nervous following the announcement of another COVID-19 variant - Omicron. Inflation continues to be relatively high in a number of economies putting focus on the response from Central Banks. The Reserve Bank of New Zealand followed up last month's increase in the official cash rate (OCR) with another 25 basis point increase taking the OCR to 75 basis points.
- The United States S&P 500 index fell 0.8%, the Japanese Nikkei 225 index lost 3.7%, the UK FTSE 100 index gave up 2.5%, the Australian ASX 200 index declined 2.5% and the MSCI World index ended the month down 1.7%
- The S&P/NZX 50 index ended the month down 2.9%.

Fund Highlights

- The fund ended down 2.8%, in line with the index.
- News flow was high during the month with a number of the fund's holdings reporting earnings for the period ended September along with several capital raisings.
- During the month Serko raised \$85m and New Zealand Refining raised \$43.5m, while in Australia Ingenia Communities raised \$475m to fund a number of acquisitions.
- Underweight positions in Ryman Healthcare and Genesis Energy and the fund's newly added position in Vulcan Steel added value. Overweight positions Summerset, Pushpay and Aristocrat detracted from value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-2.84%	-3.28%	2.53%	13.41%	14.69%	16.56%
Benchmark ²	-2.89%	-3.57%	0.23%	13.78%	14.04%	15.80%
Retail ³	-2.92%	-3.50%	1.65%	12.29%	13.40%	15.14%
KiwiSaver ³	-2.93%	-3.52%	1.25%	12.48%		

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^{1, 2}



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.

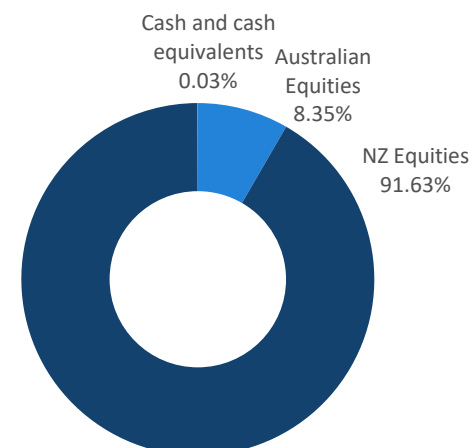
Overview

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:	
Ryman Healthcare Ltd	UW	Summerset Ltd	OW
Genesis Energy	UW	Pushpay	OW
Vulcan Steel	OW	Aristocrat	OW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings (as at month end)			
Fisher & Paykel Healthcare	14.97%	Auckland Int Airport Ltd	6.04%
Spark NZ Ltd	7.52%	Fletcher Building Ltd	5.68%
Mainfreight Ltd	7.38%	Summerset Group Ltd	5.00%
Infratil Ltd	6.86%	EBOS Group Ltd	4.77%
Contact Energy Ltd	6.38%	Meridian Energy Ltd	4.21%

Sector Allocation (month end position)	Fund	Benchmark
Health care	29.36%	27.23%
Utilities	19.88%	18.77%
Industrials	19.11%	22.93%
Communication services	11.02%	9.20%
Consumer discretionary	5.46%	2.87%
Information technology	4.07%	1.77%
Real estate	3.51%	8.95%
Consumer staples	3.10%	4.88%
Financials	1.97%	1.99%
Energy	1.84%	1.41%
Materials	0.65%	0.00%
Cash and cash equivalents	0.03%	0.00%
Number of holdings	35	50

Market Commentary

Global equity markets took a hit during November as investors became nervous following the announcement of another COVID-19 variant - Omicron. Inflation continues to be relatively high in a number of economies and as a result there is a focus on the response from Central Banks. The Reserve Bank of New Zealand followed up last month's increase in the official cash rate (OCR) with another 25 basis point increase taking the OCR to 75 basis points. Company results announced during the month highlighted cost pressures being faced, in particular those related to wages or those impacted by constrained supply chains.

Fund Commentary

The fund ended the month down 2.8% in line with the index return. The largest positive contributors to relative return were underweight positions in **Ryman Healthcare** (RYM) and **Genesis Energy** (GNE) and an overweight position in **Vulcan Steel** (VUL). RYM's result was a little disappointing with COVID-19 impacting on unit delivery and cost inflation also impacting on the result. RYM ended the month down 14.9%. GNE fell 10.4% in a month which saw two further senior members of their business leave which adds to two who left earlier in the year. VUL rose strongly (10.9%) for the month supported by an excellent outlook for their products in the building products market.

The largest negative contributors to relative return were overweight positions **Summerset** (SUM), **Pushpay** (PPH) and **Aristocrat Leisure** (ALL). A number of retirement business reported earnings during the month which highlighted increasing costs - in particular for staff. This, along with some negative sentiment around the housing market outlook saw SUM fall 12.5%. PPH dropped 28.4% after a disappointing result and downgrading its earnings guidance. ALL fell 5.9% following their full-year profit announcement that met market expectations having been pre-released as part of their potential acquisition of Playtech in the UK. Additionally, the Playtech acquisition may be contested notwithstanding the Playtech board recommending the ALL offer.

Key portfolio changes during the month included adding **Serko** (SKO) to the portfolio and adding to **New Zealand Refining** (NZR) and **Ingenia Communities** (INA) through their respective capital raisings. Positions in **Spark** (SPK), PPH, **Restaurant Brands** (RBD) and **Arvida Group** (ARV) were increased. Positions in ZEL and **A2 Milk** (ATM) were reduced, and Sydney Airport was exited completely.

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

Key Fund Facts

Distributions

Wholesale fund:	Calendar quarter
Retail fund:	March and September
KiwiSaver fund:	Does not distribute

Hedging

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.

Estimated annual fund charges (incl. GST)

Wholesale:	Negotiated outside of fund
Retail:	0.95%, refer PDS for more details
KiwiSaver:	0.95%, refer PDS for more details.

Buy / Sell spread

0.29% / 0.29%

Strategy size

\$409.3m

Strategy Launch

October 2007

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

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