

Factsheet 31 January 2022

NIKKO AM SRI EQUITY STRATEGY

Assets are held in the Nikko AM Wholesale SRI Equity Fund. The Nikko AM SRI Equity Fund (retail) invests in units in the wholesale fund, which the commentary refers to.

Market Overview

- Global equity markets sold off aggressively over January as inflation prints continue to be high increasing the likelihood of Central Banks raising cash rates.
- The United States S&P 500 index fell 5.3%, the Japanese Nikkei 225 index lost 6.2%, the UK FTSE 100 index gained 1.1%, the Australian ASX 200 index declined 6.4% and the MSCI World index ended the month down 6.1%.
- The S&P/NZX 50 index was one of the worst performing markets and ended the month down 8.8%.

Fund Highlights

- The fund ended down 8.8%, in line with the index.
- Overweight positions in Restaurant Brands and Michael Hill, and an underweight position in Ryman Healthcare added value. An overweight position in Pushpay and nil holdings in Goodman Property Trust and Port of Tauranga detracted value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-8.80%	-7.88%	-5.12%	12.85%	14.65%	16.70%
Benchmark ²	-8.78%	-9.15%	-8.84%	10.58%	12.02%	14.94%
Retail ³	-					

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

Michael De Cesare,
Portfolio Manager



Responsible for the SRI Equity Fund. Covers the Consumer Discretionary and Consumer Staples sectors. Over nine years of experience in the finance industry including ANZ Institutional Bank and Fortis Investments. Michael holds a First Class Honours degree in Industrial Economics from the University of Nottingham Business School, United Kingdom. Joined in 2012.

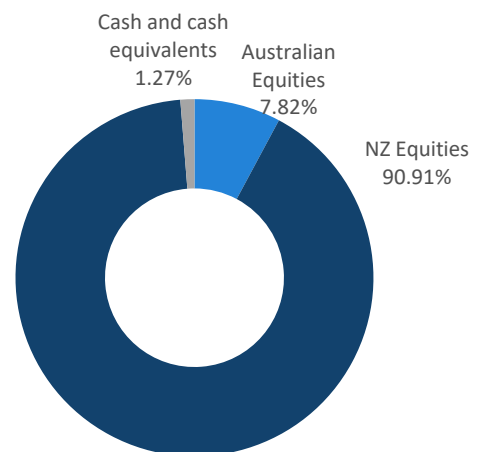
Overview

The SRI 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. The fund excludes any company that derives more than 10% of its revenue from alcohol, pornography, gambling, tobacco and extraction of thermal coal and tar sands oil. There is a full ban on controversial weapons.

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 (for the month) *				Sector Allocation	Fund	Benchmark
What Helped:		What Hurt:		Health care	28.29%	26.03%
Restaurant Brands NZ	OW	Goodman Property	NH	Industrials	19.37%	22.33%
Ryman Healthcare Ltd	UW	Pushpay Ltd	OW	Utilities	18.24%	18.93%
Michael Hill Ltd	OW	Port of Tauranga Ltd	NH	Communication services	11.62%	9.52%
OW: overweight; UW: underweight; NH: no holding. *excludes restricted stocks				Real estate	7.01%	9.74%
Top 10 Holdings				Information technology	3.56%	1.89%
Fisher & Paykel Healthcare	13.55%	EBOS Ltd	6.00%	Consumer staples	3.52%	4.74%
Spark New Zealand Ltd	7.50%	Auck., Int. Airport	5.91%	Consumer discretionary	2.89%	2.82%
Mainfreight Limited	7.12%	Fletcher Ltd	5.32%	Energy	1.81%	1.51%
Contact Energy Limited	6.13%	Summerset Ltd	3.95%	Financials	1.72%	2.50%
Infratil Limited	6.10%	Meridian Energy Ltd	3.48%	Cash and cash equivalents	1.27%	0.00%
				Materials	0.70%	0.00%
				Number of holdings	39	50

Market Commentary

Global equity markets sold off aggressively over January as inflation prints continue to be high increasing the likelihood of Central Banks raising cash rates earlier than initially expected. The rapid spread of the Omicron COVID-19 variant has also had an impact on markets albeit countries are at differing stages of the spread. Restrictions were placed on New Zealanders, moving to the Red light setting of our response framework. In addition, tensions between Russia and the West around Ukraine escalated.

Fund Commentary

The fund ended the month down 8.8%, in line with the index return. The largest positive contributors to relative return were overweight positions in **Restaurant Brands** (RBD) and Michael Hill (MHJ) and an underweight position in **Ryman Healthcare** (RYM). In a month when most stocks posted negative returns, RBD rose 5.1% after releasing their fourth quarter sales numbers which revealed growth of 5.5% despite the constrained operating conditions. MHJ down 2.9% (but ahead of the wider index of -8.8%), benefitting from their post-Christmas trading update which showed better than expected sales across all regions. In addition, provided more colour around their M&A strategy. RYM down 19.2%, was one of the worst performing stocks in the index, falling 19.2% as it continues to be impacted by negative sentiment around residential house prices.

The largest negative contributors to relative return were an overweight position in Pushpay (PPH) and nil holdings in Goodman Property (GMT) and Port of Tauranga (POT). PPH down 18.2%, as the technology sector fell out of favour globally. This is despite representing a tech company that already turns a reasonable profit and has encouraging growth potential. GMT down 3.9%, as the historically low beta property sector outperformed the large index decline. The stock's relatively large index weight had a notable portfolio impact. POT down 3.5%, having significantly underperformed the market over 2021, the stock outperformed in January 2022 on early signs of global freight normalisation.

Key portfolio changes during the month included initiating a new position in Charter Hall Group (CHC). Adding to positions in Stride Property (SPG), Auckland International Airport (AIA) and Mercury (MCY). Decreasing positions in **ANZ Bank** (ANZ), Precinct Property (PCT), and Argosy Property (ARG).

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

Key Fund Facts

Distributions	Estimated annual fund charges		
Wholesale fund: Calendar quarter.	Wholesale: negotiated outside of fund		
Retail fund: March and September	Retail: 0.95%, refer PDS for more details		
Hedging	Buy / Sell spread:	Strategy Launch Date	Strategy size
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%	January 2008	\$66.3m

Compliance

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

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