

Factsheet 28 February 2022

NIKKO AM CORE EQUITY STRATEGY

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 were generally down over February with COVID-19, inflation concerns, company earnings and the invasion of Ukraine all having an impact.
- The United States S&P 500 index fell 3.1%, the Japanese Nikkei 225 index lost 1.8%, the UK FTSE 100 index gave up 0.1%, the Australian ASX 200 index rose 2.1% and the MSCI World index ended the month down 2.6%.
- The S&P/NZX 50 index ended the month up 0.8%.

Fund Highlights

- The fund ended up 1.3%, 0.5% ahead of the index
- A number of the fund's holdings reported earnings results for the period ending December
- Underweight positions in Port of Tauranga, Argosy Property and Kiwi Property added value. Overweight positions Infratil and Sky Network Television also added value.
- Overweight positions Aristocrat Leisure, Summerset and PushPay detracted from value.

Performance

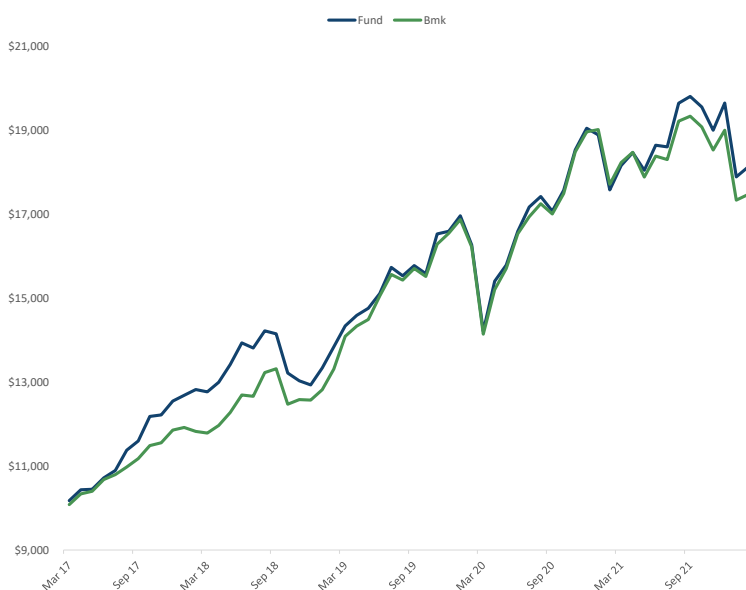
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.27%	-4.65%	3.05%	9.40%	12.63%	15.79%
Benchmark ²	0.75%	-5.75%	-1.41%	9.49%	11.81%	14.93%
Retail ³	1.20%	-4.85%	2.18%	8.35%	11.37%	14.38%

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.

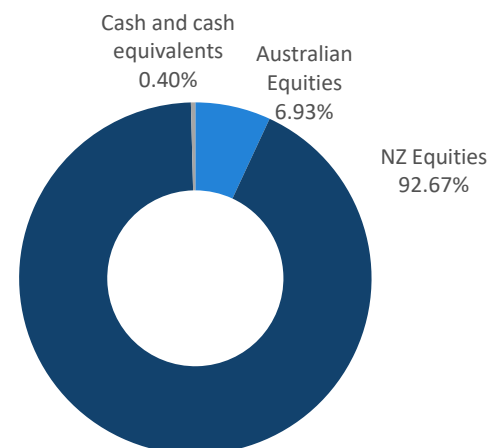
Overview

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)				Sector Allocation (month end position)			Fund	Benchmark
What Helped:		What Hurt:		Health care		28.36	25.48	
Port of Tauranga	NH	Aristocrat Leisure	OW	Utilities		20.97	19.90	
Infratil	OW	Summerset Group	OW	Industrials		18.89	21.92	
Argosy Property	NH	Pushpay Holdings	OW	Communication services		12.02	9.87	
OW: overweight; UW: underweight; NH: no holding				Consumer discretionary		4.93	2.89	
Top 10 Holdings (as at month end)				Real estate		3.87	9.38	
Fisher & Paykel Healthcare	13.48	Auckland International	6.19	Consumer staples		3.39	4.95	
Spark New Zealand Ltd	7.76	Fletcher Building Ltd	6.06	Information technology		3.25	1.65	
Infratil Limited	7.16	EBOS Group Limited	5.60	Energy		2.14	1.54	
Mainfreight Limited	6.64	Summerset Group	4.90	Financials		0.98	2.42	
Contact Energy Limited	6.56	Meridian Energy Ltd NPV	4.67	Materials		0.80	0.00	
				Cash and cash equivalents		0.40	0.00	
				Number of holdings		37	50	

Market Commentary

Global equity markets were generally down over February with COVID-19, inflation concerns, company earnings and the invasion of Ukraine all having an impact. The Omicron variant of COVID-19 progresses at differing stages with some economies opening up and others at the early stage with workforces heavily impacted. Inflation continues to be a concern for central banks with a number raising or expected to raise interest rates. The invasion of Ukraine by Russia late in the month followed by severe sanctions created market volatility. Reporting season in New Zealand was better than expected albeit outlook statements included a caveat around potential impacts from COVID-19.

Fund Commentary

The fund ended the month up 1.3% and 0.5% ahead of the index return. **Infratil** (IFT) rallied 5% following a positive investor update during February which provided considerable details on the alternate energy development opportunities in the portfolio together with detail data-centre developments. Sky Network Television (SKT) announced a very good result along with securing the English Premier League football rights which were previously held by Spark Sport. SKT's balance sheet is strong and has reinstated its dividend and will provide an update on further capital management at its investors' day in June. SKT rose 8.3% over the month. Large positive contributors to relative return were also nil positions in **Port of Tauranga** (POT), **Argosy Property** (ARG) and **Kiwi Property** (KPG). Despite POT delivering a good result, it fell 5.8% on the back of an uncertain outlook due to potential COVID disruptions and log volumes. KPG fell 4.9% as COVID-19 restrictions continue to impact on its properties and KPG announced a dividend at the bottom of its previous guidance. The largest negative contributors to relative return were overweight positions **Aristocrat Leisure** (ALL) **Summerset** (SUM) and **Pushpay** (PPH). ALL fell 7.7% in the month following the announcement their bid for Playtech Plc, a gambling software and content provider had been rejected by Playtech shareholders. While SUM announced a very strong result, it continues to be impacted by negative sentiment around the housing market and rising interest rates. SUM fell 3.2% over the month. PPH fell 13.9% on no specific news other than tech stocks being out of favour as rates rise and volatile markets.

Key portfolio changes during the month included adding to positions in **Fletcher Building** (FBU), PPH and **Auckland International Airport** (AIA) while reducing positions in **Sky City Entertainment** (SKC), **Westpac Bank** (WBC), and **Contact Energy** (CEN). (**Bold** denotes stocks held in the portfolio)

Key Fund Facts

Distributions

Wholesale fund: Calendar quarter.
Retail fund: March and September

Estimated annual fund charges (incl. GST)

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

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.

Buy / Sell spread 0.29% / 0.29%
Strategy size \$386.4m
Strategy Launch October 2007

Exclusions Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.

Restrictions Tobacco stocks, 'controversial weapons', fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <https://www.nikkoam.co.nz/invest/retail>.

Compliance

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

Contact Us

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