

Factsheet 30 April 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

- Most global equity markets sold off aggressively in April with inflation, increasing interest rates and the war in Ukraine having an impact.
- Bond markets continue to sell off with the NZ 10-yr Government Bond increasing 42 basis points in response to the inflation outlook.
- The United States S&P 500 index fell 8.8%, the Japanese Nikkei 225 index fell 3.5%, but the UK FTSE 100 index gained 0.4%. The Australian ASX 200 index declined 0.9% and the MSCI World index declined 6.5%.
- The S&P/NZX 50 index ended the month down 1.9%.

Fund Highlights

- The fund ended down 1.8% which was 0.1% ahead of the index.
- Pushpay announced they have been approached by parties interested in acquiring the company.
- Z Energy delisted from the market following acquisition by Ampol.
- Overweight positions Pushpay, Infratil and Spark added value.
- Nil holding in Air New Zealand and Port of Tauranga and an overweight position in EROAD detracted value.

Performance

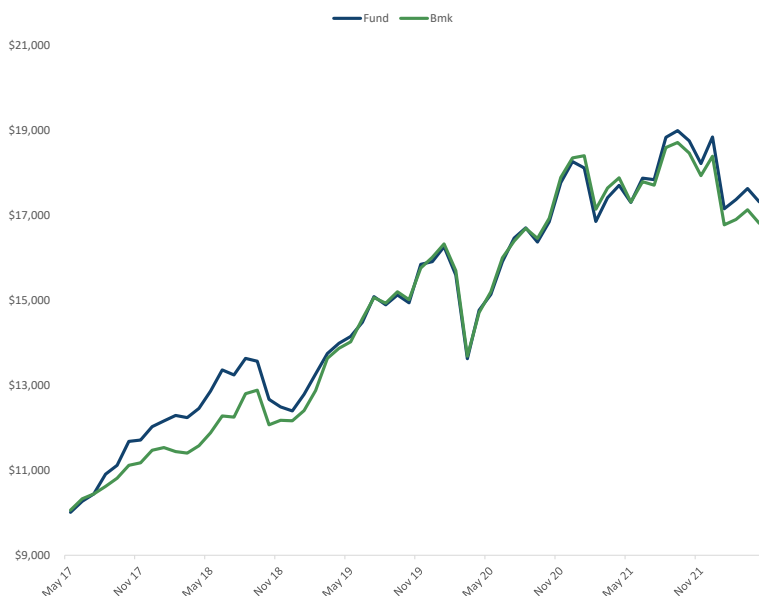
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-1.80%	0.95%	-2.21%	7.38%	11.61%	14.98%
Benchmark ²	-1.86%	0.22%	-5.98%	6.62%	10.95%	14.04%
Retail ³	-1.87%	0.75%	-3.07%	6.36%	10.42%	13.60%

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.

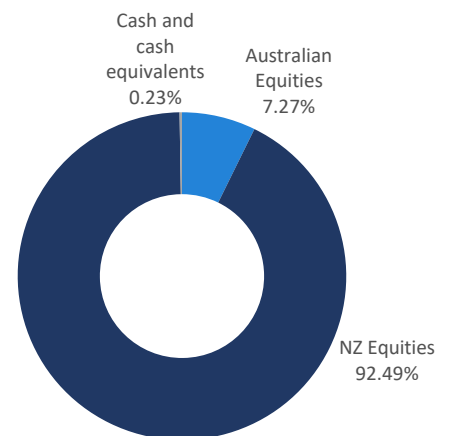
Overview

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:	
Pushpay Ltd	OW	Air New Zealand	UW
Infratil Ltd	OW	Port of Tauranga	UW
Spark Ltd	OW	EROAD	OW
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	10.71	Auckland International	6.72
Spark New Zealand Ltd	8.55	EBOS Group Limited	6.31
Infratil Limited	7.58	Fletcher Building Ltd	5.84
Mainfreight Limited	7.11	Summerset Group Ltd	4.34
Contact Energy Limited	6.90	Meridian Energy Ltd NPV	4.08

Sector Allocation (% of fund)	Fund	Benchmark
Health care	26.13%	23.42%
Utilities	21.25%	20.74%
Industrials	19.67%	23.50%
Communication services	12.85%	10.76%
Consumer discretionary	5.22%	3.23%
Real estate	3.89%	9.41%
Information technology	3.85%	2.02%
Consumer staples	3.15%	4.37%
Energy	2.10%	0.00%
Materials	0.85%	0.00%
Financials	0.81%	2.55%
Cash	0.23%	0.00%
Number of holdings	36	50

Market Commentary

Concerns around COVID-19 have taken a back seat to the market focusing on rising inflation, increasing interest rates and the war in Ukraine. Central banks have either started to raise or are signalling material increases in official cash rates. This is flowing through to weak equity and bond markets. The tech heavy Nasdaq has been a standout, down 13.3% over the month and 21.2% year-to-date. The NZ 10-year Government bond rose 42 basis point while the United States 10-year rose 60 basis points to end the month at 3.64% and 2.94% respectively. With Z Energy delisting from the NZX late in April it was replaced in the NZX 50 index by The Warehouse.

Fund Commentary

The fund ended the month down 1.8% and 0.1% ahead of the index return. The largest positive contributors to relative return were overweight positions in **Pushpay** (PPH), **Spark** (SPK) and **Infratil** (IFT). PPH up 15.8%, having announced that multiple parties presented expressions of interest in acquiring the company. In addition, they reaffirmed their earnings guidance for the forthcoming FY22 result. SPK up 7.4%, having commenced a process to explore the introduction of third-party capital into its telecommunication tower subsidiary, which owns over one thousand mobile network sites. IFT up 1.8%, with performance ahead of the company's FY22 earnings result in May, with positive expectations for their key business units. The largest negative contributors to relative return were nil holdings in Air New Zealand and Port of Tauranga. AIR was up 12.0%, having outlined spending plans following the recapitalisation of the company. In addition, they revealed they added more trans-tasman flights for the April-June period in response to the expected growth following the removal of travel restrictions. POT was up 5.0%, after a period of weaker performance. The company retains its quality attributes which position it well for the long-term. The overweight position in **EROAD** (ERD) detracted value with the stock falling ~28% over the month following the surprised resignation of the founder / CEO and major shareholder. Both the market and board of directors were shocked by the sudden announcement notwithstanding the company's assurance that both trading the integration of the Cortex acquisition are proceeding well. Key portfolio change during the month was adding a new position in **Ramsay Health Care** (RHC).

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

Key Fund Facts

Distributions	Estimated annual fund charges (incl. GST)		
Wholesale fund: Calendar quarter.	Wholesale: Negotiated outside of fund		
Retail fund: March and September	Retail: 0.95%, refer PDS for more details		
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	Strategy size	Strategy Launch
	0.29% / 0.29%	\$370m	Oct 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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