

Factsheet 30 April 2022

# NIKKO AM SRI EQUITY STRATEGY

Assets are held in the Nikko AM Wholesale SRI Equity Fund. The Nikko AM SRI Equity Fund (retail) and the Nikko AM KiwiSaver SRI invest 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-year 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 1.6% which was 0.2% 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, Spark and Infratil added value. Nil holdings in Air New Zealand, Port of Tauranga and Vector detracted value.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-1.64%	1.13%	-1.59%	9.75%	13.64%	16.00%
Benchmark <sup>2</sup>	-1.86%	0.22%	-5.98%	6.62%	10.95%	14.04%
Retail <sup>3</sup>	-1.43%	1.02%				
KiwiSaver <sup>3,4</sup>	-1.72%	0.94%	-2.88%	6.44%		

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).
4. KiwiSaver fund transitioned from core strategy to SRI strategy in February 2022.

## Five Year Cumulative Performance, \$10,000 invested<sup>1, 2</sup>



## 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.

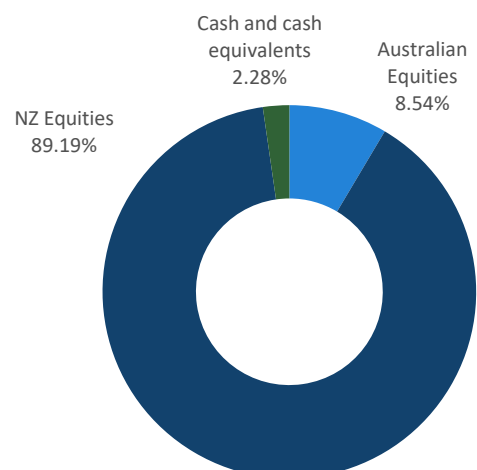
## Overview

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
<b>What Helped:</b>		<b>What Hurt:</b>		Health care	23.98	23.42
Pushpay Ltd	OW	Air New Zealand Ltd	NH	Utilities	20.73	20.74
Spark Ltd	OW	Port of Tauranga Ltd	NH	Industrials	20.12	23.50
Infratil	OW	Vector Ltd	NH	Communication services	12.92	10.76
OW: overweight; UW: underweight; NH: no holding. *excludes restricted stocks				Real estate	6.23	9.41
<b>Top 10 Holdings</b>				Consumer staples	3.51	4.37
Fisher & Paykel Healthcare	10.19%	Contact Energy Ltd	6.51%	Information technology	3.37	2.02
Spark New Zealand Ltd	8.47%	EBOS Group Ltd	5.98%	Consumer discretionary	2.49	3.23
Auckland Intl. Airport Ltd	6.99%	Fletcher Building Ltd	5.39%	Cash and cash equivalents	2.28	0.00
Mainfreight Limited	6.95%	Meridian Energy Ltd	4.47%	Financials	1.85	2.55
Infratil Limited	6.84%	Summerset Group Ltd	3.53%	Energy	1.62	0.00
				Materials	0.90	0.00
				<b>Number of holdings</b>	<b>39</b>	<b>50</b>

## Market Commentary

Concerns around COVID-19 have taken a back seat with 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 New Zealand 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 1.6% and 0.2% 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 firmly 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 (AIR), Port of Tauranga (POT) and Vector (VCT). 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 up 5.0%, after a period of weaker performance. The company retains its quality attributes which position it well for the long-term. VCT up 9.4%, given a better operational outlook, potential upside from a partial sell-down of the metering business and its defensive characteristics in the current market environment.

Key portfolio changes during the month included adding a new position, **Ramsay Health Care (RHC)**. Furthermore, increases in **Charter Hall (CHC)**, ANZ Banking Group (ANZ), and **Vulcan Steel (VSL)**. In addition to decreases in **Pacific Edge (PEB)**, **Westpac (WBC)**, and **EBOS Group (EBO)**. (**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

**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.

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

**Restrictions:** Tobacco stocks, 'controversial weapons', fossil fuels, adult entertainment, alcohol, gambling. 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>.

### Estimated annual fund charges

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

Buy / Sell spread:	Strategy Launch Date	Strategy size
0.29% / 0.29%	January 2008	\$66m

## Compliance

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

**Contact Us** [www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

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