

Factsheet 31 May 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

- Global equity markets were mixed in May with inflation, increasing interest rates, earnings results and the war in Ukraine having an impact.
- The United States S&P 500 index was flat, the Japanese Nikkei 225 index rose 1.6%, the UK FTSE 100 index gained 0.8%, the Australian ASX 200 index declined 2.6% and the MSCI World index ended the month up 0.3%.
- The S&P/NZX 50 index ended the month down 4.8%.

Fund Highlights

- The fund ended down 4.6% which was 0.2% ahead of the index.
- A number of the fund's holdings reported results for the period ending March. The Z Energy takeover settled during the month.
- Overweight positions in Pushpay Holdings, Z Energy and an underweight position in Air New Zealand added value.
- Overweight positions in Fletcher Building and Charter Hall Group and an underweight position in Ryman Healthcare detracted from value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-4.59%	-4.50%	-3.54%	7.45%	12.58%	15.70%
Benchmark ²	-4.81%	-5.31%	-7.55%	4.50%	9.73%	13.69%
Retail ³	-4.65%	-4.59%				
KiwiSaver ^{3,4}	-4.67%	-4.78%	-5.19%	4.35%		

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^{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.

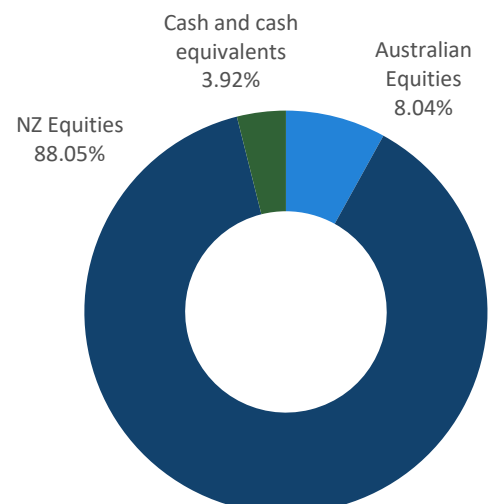
Overview

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	24.23	24.01
Air New Zealand	NH	Ryman Healthcare Ltd	UW	Industrials	20.36	22.76
Pushpay Ltd	OW	Fletcher Building	OW	Utilities	19.99	20.39
Z Energy	OW	Charter Hall	OW	Communication services	13.66	11.12
OW: overweight; UW: underweight; NH: no holding. *excludes restricted stocks				Real estate	5.58	9.35
Top 10 Holdings				Consumer staples	4.05	4.72
Fisher & Paykel Healthcare	10.16%	Contact Energy Ltd	6.16%	Cash and cash equivalents	3.92	0.00
Spark New Zealand Ltd	9.04%	EBOS Group Ltd	6.13%	Information technology	3.71	2.02
Mainfreight Limited	7.17%	Fletcher Building Ltd	4.90%	Consumer discretionary	2.19	3.08
Auckland Intl. Airport Ltd	7.12%	Meridian Energy Ltd	4.32%	Financials	1.52	2.55
Infratil Limited	7.04%	Summerset Group Ltd	3.29%	Materials	0.79	0.00
				Energy	0.00	0.00
				Number of holdings	37	50

Market Commentary

Inflation continues to be front of mind with a number of Central Banks including the Reserve Banks of New Zealand and Australia, the Bank of England and the US Federal Reserve all increasing cash rates over the month. Earnings results were mixed with tech stocks disappointing leading to Serko, EROAD and Pacific Edge falling 29%, 24.8% and 21.1% respectively. On the last day of the month the MSCI Index removed Ryman along with an index rebalance which saw some large flows and price movements in particular stocks.

Fund Commentary

The fund ended the month down 4.6% and 0.2% ahead of the index return. The largest positive contributors to relative return were overweight positions **Pushpay Holdings** (PPH) and **Z Energy** (ZEL) and an underweight (nil) position in Air New Zealand (AIR). PPH rallied ~10% during the month after two investors announced they had secured a combined stake of 20.3% and they were developing a proposal to acquire PPH's shares via a scheme of arrangement. ZEL delisted from the market last month, but the payment was made during May which resulted in outperformance relative to the market which fell. AIR continues to digest its recent capital raising and fell 27.7%.

The largest negative contributors to relative return were overweight positions in **Fletcher Building** (FBU) and an underweight position in **Ryman Healthcare** (RYM). Despite providing a positive market update early in May, FBU fell 12.4% on negative sentiment around the housing market. Despite being removed from the MSCI index, RYM rose 8.6% as the market had pre-positioned itself for the event. **Charter Hall Group** (CHC) fell ~15% over the month in response to the rising interest rate outlook for Australia which suppresses long term valuations.

Key portfolio changes during the month included adding to **Scales** (SCL), **Mainfreight** (MFT), **Auckland International Airport** (AIA), **Ramsay Healthcare** (RHC), and **Infratil** (IFT). Reductions were made in **Contact Energy** (CEN), **Meridian Energy** (MEL) and **Ryman Healthcare** (RYM). ZEL was removed from the fund. (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.

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: 0.29% / 0.29%
Strategy Launch Date: January 2008
Strategy size: \$63m

Compliance

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

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