

Factsheet 31 October 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 major global equity markets ended the month in positive territory albeit were volatile within the period.
- The United States S&P 500 index rose 8.0%, the Japanese Nikkei 225 index added 6.4%, the UK FTSE 100 index gained 2.9%, the Australian ASX 200 index increased 6.0% and the MSCI World index ended the month up 6.1%.
- The S&P/NZX 50 index ended the month up 2.5%.

Fund Highlights

- The fund ended the month up 2.8%, and slightly ahead of the index return.
- A number of annual shareholder meetings and investors days were held during the month, including Mainfreight and Fletcher Building who provided positive trading updates and reconfirmed earnings guidance.
- Pushpay Holdings announced it had received a takeover offer at NZ\$1.34 per share, which was supported by the company's Directors.
- Overweight positions in Pushpay, Mainfreight, and a nil holding in Precinct Properties added value. Overweight position Summerset and NextDC plus our nil holding in Tourism Holdings, detracted value.

Performance

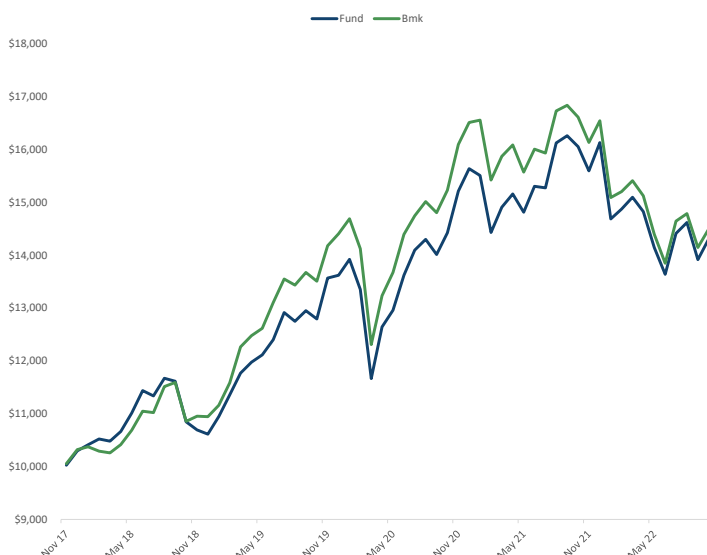
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.80%	-0.73%	-10.89%	3.79%	7.42%	13.44%
Benchmark ²	2.46%	-1.03%	-12.74%	2.38%	7.71%	12.26%
Retail ³	2.71%	-0.97%	-11.68%	2.90%	6.36%	12.10%

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.

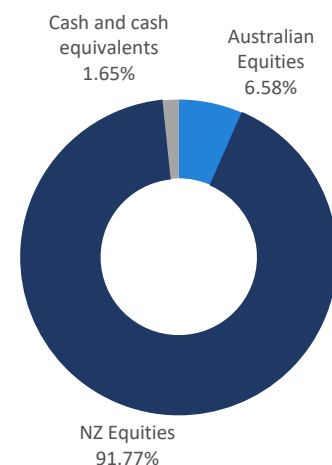
Overview

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	Summerset Ltd	OW
Mainfreight Ltd	OW	NextDC Ltd	OW
Precinct Properties Ltd	NH	Tourism Holdings	NH
OW: overweight; UW: underweight; NH: no holding			
Top 10 Holdings (% of fund)			
Spark New Zealand Ltd	9.91%	Contact Energy Limited	7.06%
Infratil Limited	8.71%	EBOS Group Limited	6.19%
Fisher & Paykel Healthcare	8.46%	Fletcher Building Ltd	5.04%
Auckland International Airport Ltd	7.58%	Meridian Energy Ltd NPV	4.21%
Mainfreight Limited	7.19%	The A2 Milk Company	3.54%

Sector Allocation (% of fund)	Fund	Benchmark
Utilities	22.73%	21.84%
Health care	22.07%	21.92%
Industrials	19.81%	23.16%
Communication services	14.16%	12.03%
Consumer discretionary	5.01%	3.06%
Consumer staples	4.37%	5.08%
Information technology	4.08%	1.69%
Real estate	3.10%	8.76%
Cash and cash equivalents	1.65%	0.00%
Materials	1.42%	0.00%
Energy	1.39%	0.00%
Financials	0.00%	2.41%
Number of holdings	34	50

Market Commentary

Aside from the Chinese market, global equity markets were strong over the month although on a year-to-date basis are still down materially. The tech focused Nasdaq stands out, down 29.8% so far this year. Inflation and the response from central banks continues to be the main focus for markets. Inflation is showing no sign of slowing its rate of growth, in fact increasing for a number of economies. Cash rates were increased by the key central banks that had meetings during the month and that will continue in November with hikes expected from the US Federal Reserve, Bank of England and the Reserve Banks of Australia and New Zealand.

Fund Commentary

The fund ended the month up 2.8%, which was 0.3% ahead of the index return. The largest positive contributors to relative return were overweights in **Pushpay** (PPH), **Mainfreight** (MFT), and a nil holding in **Precinct** (PCT). PPH increased by 13.6%. The company received a NZ\$1.34 per share takeover offer from a group comprising its largest shareholder and an Australian private equity firm. MFT increased by 12.8%. The company held and Investor Day that included a strong trading update, demonstrating ongoing customer wins, operating momentum, and network expansion. PCT decreased by 5.0%. The REIT sector underperformed the broader index as the market factors in higher interest rates and scope for falls in property values. The largest negative contributors to relative return were from an overweight in **Summerset** (SUM), **NextDC** (NXT) and a nil holding in **Tourism Holdings** (THL). THL increased by 31.8%. The company upgraded its profit guidance for FY23 based on gains in yield and sales margin. At a time when the market also looks to its planned merger with ASX-listed operator Apollo Tourism and Leisure. SKC increased by 7.0%.

Key portfolio changes during the month included modest purchases of Auckland Airport (AIA), EBOS Group (EBO), Mercury (MCY) and Contact Energy (CEN). Modest reductions in Ryman Healthcare (RYM), Chorus (CNU) and Waypoint REIT (WPR) over the month. No stocks were exited from the portfolio. (**Bold** denotes stocks held in the portfolio).

Key Fund Facts

Distributions

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

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. 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 (incl. GST)

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

Buy/Sell spread	Strategy size	Strategy Launch
0.29% / 0.29%	\$343m	Oct 2007

Compliance

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

Contact Us

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