

Factsheet 31 October 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 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

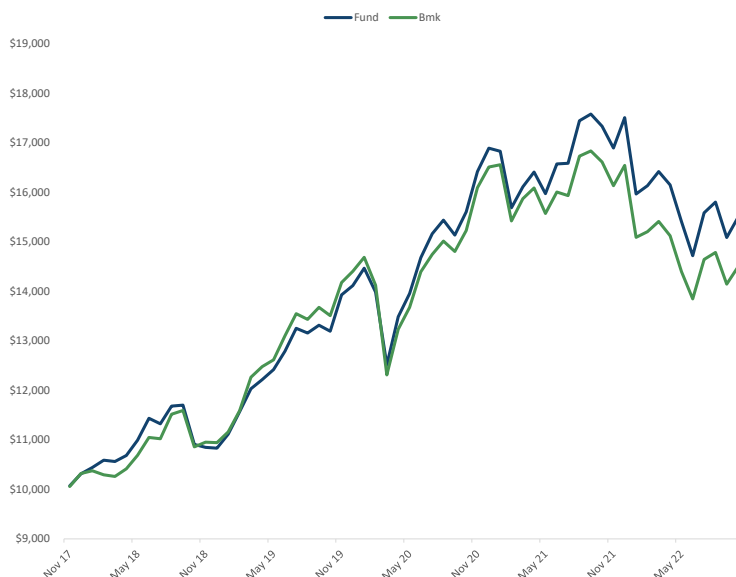
- The fund ended the month up 2.7%, and slightly ahead of the index return.
- A number of annual shareholder meetings and investors days were held during the month, including Mainfreight and Fletcher Building who provided positive trading updates and reconfirmed earnings guidance.
- Pushpay Holdings 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 nil holdings in Tourism Holdings and restricted stock Sky City detracted from value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.72%	-0.58%	-10.60%	5.51%	9.16%	14.35%
Benchmark ²	2.46%	-1.03%	-12.74%	2.38%	7.71%	12.26%
Retail ³	2.63%	-1.12%				
KiwiSaver ^{3,4}	2.64%	-0.82%	-12.02%	2.63%		

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.

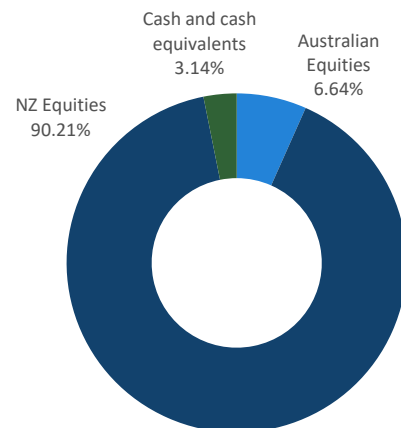
Overview

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:		Utilities	22.71%	21.84%
Pushpay Ltd	OW	Summerset Ltd	OW	Health care	22.07%	21.92%
Mainfreight	OW	Tourism Holdings	NH	Industrials	20.44%	23.16%
Precinct Properties	NH	SkyCity Entertainment	NH	Communication services	14.66%	12.03%
OW overweight; UW underweight; NH no holding; RS restricted stock.				Real estate	5.34%	9.10%
Top 10 Holdings				Consumer staples	4.71%	5.08%
Spark New Zealand Ltd	10.19%	Contact Energy	6.77%	Information technology	3.46%	1.69%
Infratil Limited	8.58%	EBOS Group Limited	6.70%	Cash and cash equivalents	3.14%	
Fisher & Paykel Healthcare	8.43%	Fletcher Building Ltd	4.57%	Consumer discretionary	1.50%	3.12%
Auckland International Airport	7.67%	Meridian Energy Ltd	4.24%	Materials	1.18%	
Mainfreight Limited	7.07%	The A2 Milk Company	3.75%	Energy	0.61%	
				Financials	0.47%	2.41%
				Number of holdings	38	50

Market Commentary

Most global equity markets were strong over the month although on a year-to-date basis are down materially. Inflation pressure and the central bank response continue to be the focus for markets. Inflation rate remains problematic in most economies. Cash rates were increased by the major central banks that had meetings during the month and this trend 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 2.7%, which was 0.2% 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), and nil holdings in Tourism Holdings (THL) and restricted stock Sky City (SKC). SUM decreased by 10.2%. Residential property prices are decreasing and there is uncertainty around the outlook. As a result, sentiment is negative despite resilient operating performance to date. 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. Restricted stock SKC increased by 7.0%.

Key portfolio changes during the month included the exit of Westpac Bank (WBC). Increases in **Mercury** (MCY) and **Freightways** (FRE). Decreases in ANZ Bank (ANZ), **Waypoint REIT** (WPR) and **Chorus** (CNU).

(**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:	Strategy Launch Date	Strategy size
0.29% / 0.29%	January 2008	\$63.4m

Compliance

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

Contact Us

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