

Factsheet 28 February 2023

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 during February with earnings results impacting stock movements along with a push higher in bond yields.
- The United States S&P 500 index fell 2.3%, the Japanese Nikkei 225 index added 0.4%, the UK FTSE 100 index gained 1.4%, the Australian ASX 200 index declined 2.5% and the MSCI World index ended the month down 1.6%.
- The S&P/NZX 50 index ended the month down 0.6%.

Fund Highlights

- The fund ended the month down 1.3%, 0.7% behind the index return.
- A number of portfolio companies reported earnings for the period ending December 2022.
- Ryman Healthcare raised \$902m to reduce debt.
- Overweight positions in Sky Network Television, NextDC and nil holding in Oceania Healthcare added value. Overweight positions in Allkem and Ingenia Communities and a nil holding in Precinct Properties detracted from value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-1.28%	2.69%	0.97%	5.22%	9.00%	13.73%
Benchmark ²	-0.61%	3.04%	0.12%	2.54%	8.15%	11.81%
Retail ³	-1.36%	2.43%	-0.13%			
KiwiSaver ^{3,4}	-1.37%	2.43%	-0.03%	2.88%		

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 12 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.

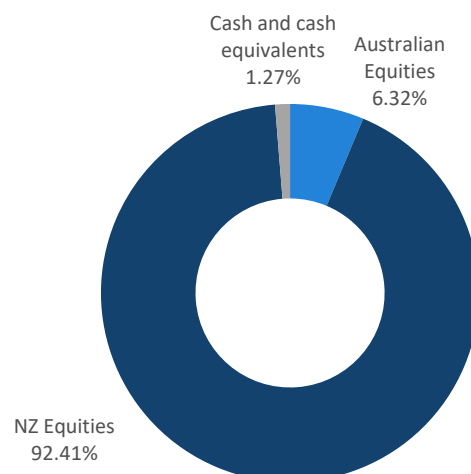
Overview

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	26.40	24.09
Sky Network Television Ltd	OW	Allkem Ltd	OW	Utilities	23.13	21.52
Oceania Healthcare Ltd	NH	Ingenia Communities Group	OW	Industrials	18.03	22.37
NEXTDC Ltd	OW	Precinct Properties	NH	Communication services	14.61	11.19
OW overweight; UW underweight; NH no holding; RS restricted stock.				Consumer staples	5.55	5.58
Top 10 Holdings				Information technology	3.65	1.44
Fisher & Paykel Healthcare	12.35	EBOS Group Limited	5.74	Real estate	3.07	8.29
Spark New Zealand Ltd	9.65	Mainfreight Limited	5.63	Energy	1.30	0.00
Infratil Limited	8.56	The A2 Milk Company Limited	5.15	Cash and cash equivalents	1.27	0.00
Auckland Internat. Airport	8.29	Meridian Energy Ltd NPV	4.36	Consumer discretionary	1.07	2.67
Contact Energy Limited	7.07	Ryman Healthcare Ltd	3.69	Materials	1.05	0.44
				Financials	0.87	2.42
				Number of holdings	37	50

Market Commentary

Global equity markets were mixed during February with earnings results impacting stock movements along with a push higher in bond yields. Key central banks lifted cash rates during the month as they continue their battle with inflation. Investors are looking for signals that rate increases have taken rates near to or are at their peak. Central banks are talking a tough game and will do whatever is necessary to get inflation back to target ranges. In results we have seen good revenue growth but offset by increased operating expenses and interest costs.

Fund Commentary

The fund ended the month down 1.3%, 0.7% behind the index return. The largest positive contributors to relative return were overweight positions in **Sky Network Television (SKT)**, **NextDC (NXT)** and a nil holding in Oceania Healthcare (OCA). SKT increased 4.6%, after reporting a solid result and announced a share buyback. NXT increased 3.8%, after releasing a strong result and maintaining full year guidance despite some observable headwinds. OCA decreased 12.4%, as retirement sector participants were negatively impacted by the considerable capital raising by **Ryman Healthcare (RYM)**. The largest positive contributors to relative return were overweight positions in **Allkem (AKE)**, **Ingenia Communities (INA)** and a nil holding in Precinct Properties (PCT).

The largest negative contributors to relative return were from overweight positions in **Allkem (AKE)**, **Ingenia Communities (INA)** and a nil holding in Precinct Properties (PCT). AKE decreased -12.6%, following a strong January. The company announced earnings broadly in line with expectations. However, the share price is volatile and highly sensitive to near-term news flow which has turned negative. INA decreased 13.2%, after downgrading earnings guidance due to lower home deliveries in the period. PCT increased 6.0%, assisted by an earnings result where it reconfirmed its dividend.

Key portfolio changes during the month included exiting **Centuria Industrial REIT (CIP)**. Increasing positions in **Ryman Healthcare (RYM)**, **Channel Infrastructure (CHI)**, and The **A2 Milk Company (ATM)**. Reducing positions in **Vulcan Steel (VSL)**, **Dexus Industria REIT (DXI)** and **Scales Corp (SCL)**. (**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: Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).

Restrictions: Tobacco stocks, fossil fuels, adult entertainment, alcohol and 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	\$66.2m

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

Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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