

Factsheet 30 April 2023

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

- Global equity markets continued their strong start to the year with all key indices moving higher apart from the Chinese market.
- The United States S&P 500 index rose 1.5%, the Japanese Nikkei 225 index added 2.9%, the UK FTSE 100 index gained 3.1% the Australian ASX 200 index increased 1.9% and the MSCI World index ended the month up 1.4%.
- The S&P/NZX 50 index ended the month up 1.1%.

Fund Highlights

- The fund ended the month up 1.7%, 0.6% ahead of the index return.
- It was a quiet month for news flow ahead of May when a number of the fund's holdings will report results for the period ending March.
- The long running takeover offer for Pushpay has concluded with the second vote getting over the line that will see Pushpay delist in May.
- Overweight positions in Ingenia Communities, Restaurant Brands and NextDC added value. Overweight positions in Summerset, A2 Milk and Ramsay 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	1.67%	1.19%	3.45%	6.65%	7.54%	12.48%
Benchmark ²	1.14%	0.73%	2.01%	5.25%	8.18%	11.18%
Retail ³	1.60%	1.00%	2.50%	5.73%	6.52%	11.17%

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

Michael Sherrock,
Co-Head of Equities

Michael joined Nikko AM in 2006 and covers the Property, Energy, Materials, Metals & Mining and Media sectors. He has over 20 years' experience and previously held roles with Schroders UK and ASB Group Investments. Michael is a CFA charter-holder and holds a Bachelor of Commerce degree from the University of Auckland. Joined Nikko in 2006.



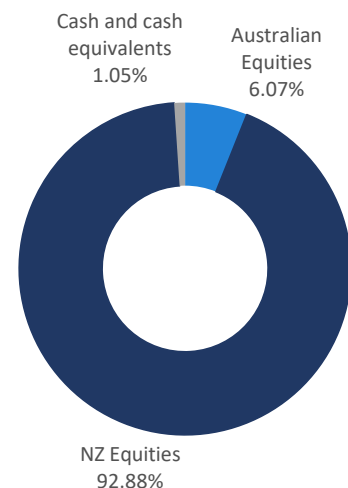
Overview

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)				Sector Allocation (% of fund)		Fund	Benchmark
What Helped:		What Hurt:		Health care	26.88	24.66	
Ingenia Communities Group	OW	Summerset Group	OW	Utilities	22.80	22.09	
Restaurant Brands	OW	A2 Milk Co Ltd	OW	Industrials	16.45	22.20	
NEXTDC Ltd	OW	Ramsay Healthcare Ltd	OW	Communication services	14.74	11.64	
OW: overweight; UW: underweight; NH: no holding				Information technology	4.69	1.49	
Top 10 Holdings (% of fund)				Consumer staples	4.31	4.57	
Fisher & Paykel Healthcare	12.97	Mainfreight Limited	5.46	Consumer discretionary	4.09	2.28	
Spark New Zealand Ltd	9.81	EBOS Group Limited	5.39	Real estate	2.79	8.09	
Infratil Limited	8.29	Meridian Energy Ltd	4.57	Energy	1.11	0.29	
Auckland International Airport Ltd	8.12	The A2 Milk Company Ltd	4.03	Materials	1.09	0.41	
Contact Energy Limited	7.11	Ryman Healthcare Ltd	3.69	Cash and cash equivalents	1.05	0.00	
				Financials	0.00	2.27	
				Number of holdings	34	50	

Market Commentary

Global equity markets continued their strong start to the year with all key indices moving higher apart from the Chinese market. Markets are forward looking and while they are pricing in rate hikes from most central banks in the near term, by the end of the year rate cuts are being priced in. This, along with a good reporting season from the United States has supported equity markets. Inflation globally has been drifting down albeit it remains at very elevated levels. New Zealand inflation for the March quarter came in lower than expected at 6.7% but non-tradable inflation was 6.8%, the highest since the series began in 1999. The New Zealand Reserve Bank surprised the market by hiking the Official Cash Rate by 0.5% compared to expectations of a 0.25% increase.

Fund Commentary

The fund ended the month up 1.7%, 0.6% ahead of the index return. The largest positive contributors to relative return were overweight positions in **Ingenia Communities (INA)**, **Restaurant Brands (RBD)** and **NextDC (NXT)**. With Australian residential house prices and volumes appearing to have bottomed and strong migration, residential exposed stocks performed well over the month. On the back of this INA rose 13.3% (in AUD). RBD benefited from a large seller finishing their selling and a strong sales number and ended the month up 14.3%. NXT announced a large new contract which saw the stock up 9.8% (in AUD).

The largest negative contributors to relative return were from overweight positions in **Summerset (SUM)**, **A2 Milk (ATM)** and **Ramsay Healthcare (RHC)**. SUM fell 7.5% after announcing its first quarter sales which were relatively soft. SUM's unit delivery was low for the quarter at only 57 but confirmed it is on track to deliver 625 – 675 over the year. Following a large downgrade by ATM supplier Synlait Milk (SML), ATM announced its sales growth would be at the low end of its guidance and ended the month down 5.5%. RHC drifted 2.8% lower on no specific news.

Key portfolio changes during the month included adding to its position in **Auckland International Airport (AIA)**. Small reductions were made to holdings in **Channel Infrastructure (CHI)**, **Chorus (CNU)**, **Fletcher Building (FBU)**, **Infratil (IFT)**, **Ryman Healthcare (RYM)** and **Scales (SCL)**. (**Bold** denotes stocks held in the portfolio)

Key Fund Facts

Distributions		Estimated annual fund charges (incl. GST)		
Wholesale fund:	Calendar quarter	Wholesale: Negotiated outside of fund		
Retail fund:	March and September	Retail: 0.95%, refer PDS for more details		
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.		Buy/Sell spread	Strategy size	Strategy Launch
		0.29% / 0.29%	\$341.6m	Oct 2007
Exclusions: Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).				
Restrictions: Tobacco stocks, 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 .				

Compliance

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

Contact Us

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

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute financial advice and must not be relied on as such. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given, and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz.