

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' performance was mixed over the month with earnings results affecting specific stocks while interest rate moves drove the broader market.
- The United States S&P 500 index rose 0.3%, the Japanese Nikkei 225 index jumped 7.0%, the UK FTSE 100 index fell 5.4% the Australian ASX 200 index lost 2.5% and the MSCI World index ended the month down 0.3%.
- The S&P/NZX 50 index ended the month down 1.7%.

Fund Highlights

- The fund ended the month down 0.7%, 1.0% ahead of the index return.
- A number of the fund's holdings reported results for the period ended 31 March.
- The Pushpay takeover was concluded with its delisting from the NZX and payment received by the fund for its holding.
- NextDC completed a \$618m capital raise to fund new data centres.
- Overweight positions in Allkem, Infratil and Ryman Healthcare added value.
- Overweight positions in Ramsay Healthcare and SkyCity Entertainment and an underweight position in Oceania 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	-0.70%	1.71%	7.65%	5.53%	6.70%	12.65%
Benchmark ²	-1.68%	-0.36%	5.36%	3.52%	7.26%	11.23%
Retail ³	-0.78%	1.50%	6.64%	4.62%	5.68%	11.35%

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).

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 and 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.



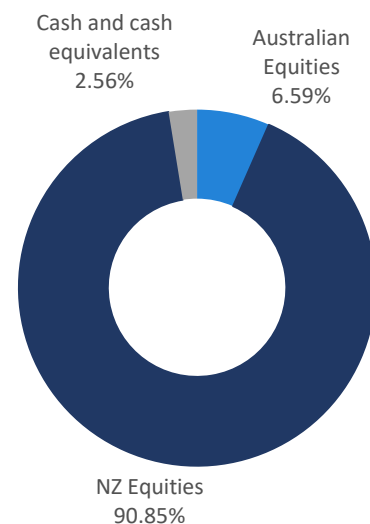
Overview

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	26.26	23.72
Allken	OW	Oceania Healthcare	NH	Utilities	23.77	22.97
Infratil	OW	Ramsay Healthcare	OW	Industrials	16.82	22.89
Ryman Healthcare	OW	Sky City	OW	Communication services	14.82	11.66
OW: overweight; UW: underweight; NH: no holding				Consumer staples	4.50	4.63
Top 10 Holdings (% of fund)				Consumer discretionary	4.00	2.46
Fisher & Paykel Healthcare	11.07	EBOS Group Limited	5.76	Real estate	2.84	8.21
Spark New Zealand Ltd	9.84	Mainfreight Limited	5.42	Cash and cash equivalents	2.56	0.00
Infratil Limited	8.91	Meridian Energy Ltd NPV	4.69	Information technology	1.86	0.52
Auckland International Airport Ltd	8.28	The A2 Milk Company	4.27	Materials	1.36	0.40
Contact Energy Limited	7.20	Ryman Healthcare Ltd	4.16	Energy	1.23	0.30
				Financials	0.00	2.25
				Number of holdings	33	50

Market Commentary

Global equity markets performance was mixed over the month with earnings results affecting specific stocks while interest rate moves drove the broader market. The New Zealand earnings results were generally in line with expectations with a couple of exceptions. Fisher & Paykel Healthcare disappointed the market with its outlook and given its large weight in the index it was a material contributor to the S&P / NZX 50 index's negative month. On monetary policy, most key central banks raised rates over the month with the US Federal Reserve, the European Central bank, the Bank of England, the Reserve Bank of Australia and the Reserve Bank of New Zealand all raising their official cash rates by 0.25%. Both the RBA and the RBNZ surprised the market with their moves with the RBA not expected to raise their rate while the RBNZ stuck to their previously guided peak cash rate where the market had started pricing a higher peak rate.

Fund Commentary

The fund ended the month down 0.7%, 1.0% ahead of the index return. The largest positive contributors to relative return were overweight positions in **Allkem (AKE)**, **Infratil (IFT)** and **Ryman Healthcare (RYM)**. AKE announced a merger agreement with Livent, a lithium miner and processor listed on the NYSE, this merger should deliver material synergies and diversification. AKE rose 21.2% (in AUD) over the month. IFT announced a good earnings result and outlook which saw the stock gain 6.5% over the period. RYM, rose 19.8% on the back of a better-than-expected result along with improving housing market sentiment.

The largest negative contributors to relative return were from overweight positions in **Ramsay Healthcare (RHC)** and **SkyCity Entertainment (SKC)** and an underweight position in Oceania Healthcare (OCA). RHC's third quarter trading update was weaker than market expectations and as a result the stock fell 11.3% (in AUD). While SKC held a well received investor day, this was overwhelmed by forced selling due to its removal from an index. SKC ended the month down 8.3%. There was nothing special in OCA's result but it was dragged along by the improving residential market sentiment and rose 21.7% over the month.

Key portfolio changes during the month included adding to the fund's position in **A2 Milk (ATM)**, **Channel Infrastructure (CHI)**, **Chorus (CNU)**, **EBOS (EBO)**, **Meridian Energy (MEL)**, **NEXTDC (NXT)**, **Restaurant Brands (RBD)** and **Sky Television (SKT)**. Positions were reduced in **Contact Energy (CEN)**, **Fletcher Building (FBU)**, **RYM** and **Scales (SCL)**. The fund's position in PushPay was removed through the completion of the takeover. (**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%	\$336.2m	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

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