

# Nikko AM Core Equity Strategy

Monthly Update 30 April 2024

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 Global equity markets fell over the month, reacting to the likely timing of rate cuts being pushed out as inflation continues to be sticky.
- The United States S&P 500 index fell 4.2%, the Japanese Nikkei 225 lost 4.9%, the UK FTSE 100 index gained 2.4%, the Australian ASX 200 index declined 2.9% and the MSCI World index ended the month down 1.8% (in local terms).
- The S&P/NZX 50 index ended the month down 1.2%.

## Fund Highlights

- The fund ended the month down 0.8%, 0.4% ahead of the index return.
- NextDC completed a AU\$1.3b capital raising to fund further data centre developments while Heartland Bank completed a \$210m raising to buy Challenger Bank in Australia.
- Underweight positions in Heartland Group and Port of Tauranga and an overweight position in ResMed added value. Overweight positions in Ryman Healthcare, Ingenia Communities and SkyCity Entertainment detracted from value.

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
<b>Wholesale<sup>1</sup></b>	-0.81%	1.75%	2.36%	1.17%	5.56%	11.00%
<b>Benchmark<sup>2</sup></b>	-1.22%	1.00%	0.36%	-1.27%	4.41%	9.70%
<b>Retail<sup>3</sup></b>	-0.89%	1.50%	1.36%	0.23%	4.56%	9.75%

1. Returns are before tax and before the deduction of fees and including tax credits (if any).
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<sup>1,2</sup>



## Portfolio Manager

**Michael Sherrock,  
Head of Equities**



Michael joined Nikko AM in 2006 and covers the 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.

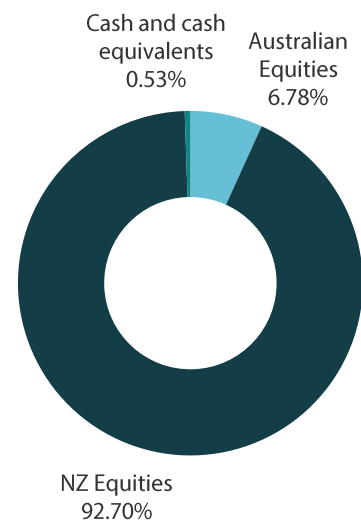
## Overview

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				Sector Allocation (% of fund)			Fund	Benchmark
<b>What Helped:</b>		<b>What Hurt:</b>		Health care		27.34%	23.99%	
Heartland	UW	Ryman Healthcare	OW	Industrials		27.11%	28.26%	
Port Of Tauranga	NH	Ingenia Communities	OW	Utilities		16.35%	17.78%	
ResMed	OW	SkyCity Entertainment	OW	Communication services		14.16%	10.30%	
OW: overweight; UW: underweight; NH: no holdings				Consumer staples		4.24%	5.00%	
<b>Top 10 Holdings (% of fund)</b>				Consumer discretionary		3.11%	2.06%	
Fisher & Paykel Healthcare	13.49	Meridian Energy	5.64	Information technology		2.28%	1.33%	
Infratil	10.80	Mainfreight	4.57	Real estate		2.24%	8.21%	
Auckland International Airport	9.57	A2 Milk	4.24	Energy		1.28%	0.32%	
Spark New Zealand	9.13	EBOS	4.10	Materials		0.86%	0.44%	
Contact Energy	7.76	Summerset	3.99	Cash and cash equivalents		0.53%	0.00%	
				Financials		0.49%	2.30%	
				<b>Number of holdings</b>		<b>31</b>	<b>50</b>	

## Market Commentary

While there was mixed economic data, sticky inflation continues to impact on markets with the likely timing of interest rate cuts by the US Federal Reserve pushed out. This led to 10-year bond yields rising materially over the month with the US 10-year rate rising from 4.2% to 4.68%, the Australian 10-year rate rising from 3.96% to 4.42% and the New Zealand 10-year rate rising from 4.54% to 4.94%. The pushing out of the timing of rate cuts and the increase in bond yields had a negative impact on equity markets. Amongst major market indices only the United Kingdom and Chinese markets ended in positive territory over the month. Geo-political tensions also weighed on markets with conflict in the Middle East continuing and the risk that it escalates across the region.

## Fund Commentary

The largest positive contributors to the fund's relative return were underweight positions in **Heartland Group** (HGH) and Port of Tauranga (POT) and an overweight position in **ResMed** (RMD). The \$210m capital raising by HGH to acquire a bank in Australia and grow in that market weighed on the stock price. The raising was priced at \$1.00 per share which presented an opportunity for the fund to build a position. HGH ended the month at \$1.06, falling 15.2%. POT fell 9.2% on no specific news. The fund invested in RMD over the month and the stock performed well on the back of a good result ending up 9.0% (in AUD). For the period the fund held RMD during the month it was up 16.9% (in AUD).

The largest negative contributors to relative return were from overweight positions in **Ryman Healthcare** (RYM), **Ingenia Communities** (INA) and **SkyCity Entertainment** (SKC). RYM continues to be under pressure, falling 10.6% after announcing the resignation of the Chief Executive which follows the earnings downgrade announced earlier this year. INA was impacted by a downgrade from Lifestyle Communities (LIC) which operates in a similar market to INA along with a poor performance of the Australian real estate index. INA ended the month down 10.9% (in AUD). SKC continues to see executives leave the business as it works through regulatory issues and fines with the COO of Australia resigning during the month. Also announced was the appointment of a CEO of the business who will start in July. SKC fell 14.4% over the month.

Key portfolio changes during the month included adding to our position in **NextDC** (NXT) through its capital raising while taking news positions in HGH, RMD and **Worley** (WOR). Positions in **Fisher & Paykel Healthcare** (FPH), **A2 Milk** (ATM), **Aristocrat Leisure** (ALL), **EBOS** (EBO) and **Spark** (SPK) were reduced. The fund's position in Precinct Properties (PCT) was divested. (**Bold** denotes stocks held in the portfolio).

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Exclusions:</b>	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	<b>Strategy Launch:</b>	October 2007
<b>Wholesale:</b>	Negotiated outside of the unit price.	<b>Restrictions:</b>	Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .	<b>Strategy size:</b>	\$290.2m
<b>Retail:</b>	0.95%, refer to PDS for more details.			<b>Buy / Sell spread:</b>	0.29%/0.29%
<b>Distributions</b>					
<b>Wholesale:</b>	Calendar quarter				
<b>Retail:</b>	March and September				

## Compliance

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

## Contact Us

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