

# Nikko AM SRI Equity Strategy

Monthly Update 30 November 2024

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 key international equity markets were positive over the month as earnings results, the US election result and central banks cutting rates impacted on markets.
- The United States S&P 500 index rose 5.7%, the Japanese Nikkei 225 fell 2.2%, the UK FTSE 100 index gained 2.2%, the Australian ASX 200 index added 3.8% and the MSCI World index ended the month up 4.1% (in local terms).
- The S&P/NZX 50 index ended the month up 3.4%.

## Fund Highlights

- The fund ended the month up 2.6%, 0.8% behind the index return.
- A number of companies released earnings results for the period ending 30 September during the month.
- Channel Infrastructure raised \$50m to fund infrastructure investments supporting new customer contracts.
- Spark was removed from the MSCI standard index while Infratil was added to the index.
- Underweight positions in Goodman Property and Vital Healthcare an overweight position in Contact Energy added value. Overweight positions in Sky Network Television and Ryman Healthcare and an underweight position in Gentrack 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>	2.61%	5.67%	17.52%	3.52%	6.12%	12.15%
<b>Benchmark<sup>2</sup></b>	3.40%	5.24%	16.21%	1.74%	3.68%	10.23%
<b>Retail<sup>3</sup></b>	2.53%	5.28%	16.22%			
<b>KiwiSaver<sup>4</sup></b>	2.51%	5.21%	16.10%	2.35%	3.83%	

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).
4. KiwiSaver fund transitioned from core strategy to SRI strategy in February 2022.

## Five Year Cumulative Performance, \$10,000 invested<sup>1,2</sup>



## Portfolio Manager

**Michael De Cesare,**  
Portfolio Manager

Responsible for the SRI Equity Fund. Covers the Communications, Transport and Consumer Staples sectors. Over 15 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.



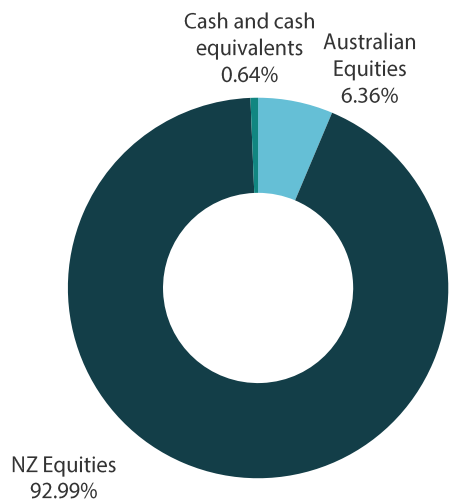
## Overview

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			
<b>What Helped:</b>		<b>What Hurt:</b>	
Goodman Property	NH	Gentrack	NH
Vital Healthcare Property	NH	Sky Network Television	OW
Contact Energy	OW	Ryman Healthcare	OW

OW: overweight; UW: underweight; NH: no holdings; RS: restricted stock

Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	16.25	Spark New Zealand	4.90
Infratil	10.74	Mainfreight	4.75
Auckland International Airport	9.33	EBOS	4.01
Contact Energy	7.29	A2 Milk	4.00
Meridian Energy	6.36	Summerset	3.61

Sector Allocation (% of fund)	Fund	Benchmark
Health care	28.04	26.57
Industrials	19.29	20.76
Utilities	16.21	16.82
Financials	11.10	12.16
Communication services	8.72	7.30
Real estate	6.61	7.36
Consumer staples	5.45	4.60
Information technology	1.63	1.83
Energy	1.20	0.49
Materials	0.87	0.41
Cash and cash equivalents	0.64	0.00
Consumer discretionary	0.24	1.70
<b>Number of holdings</b>	<b>33</b>	<b>50</b>

## Market Commentary

Most key international equity markets were positive over the month as earnings results, the US election result and central banks cutting rates impacted on markets. After a long build up the United States election arrived and Donald Trump was elected President. Markets starting to focus on potential policy changes that would impact immigration, healthcare, climate change / renewable energy / fossil fuels and tariffs. Earnings results were also a focus of markets. The local market was dominated by results from property securities along with other companies of particular interest such as Ryman Healthcare, Fisher & Paykel Healthcare and Mainfreight. Central banks also continued cutting rates with the Reserve Bank of New Zealand delivering their third cut in as many meetings, dropping rates by another 50bps. The rate cuts have provided a boost to the S&P / NZX 50, up more than 12% since the start of July.

## Fund Commentary

The largest positive contributors to the fund's relative return were underweight positions in Vital Healthcare (VHP) and Goodman Property (GMT) and an overweight position in **Contact Energy** (CEN). Despite rates moving lower over the month and nothing particularly surprising from the property securities that announced results, the property sector was under pressure and ended the month down 1.1%. This helped our relative performance with our underweight positions in VHP and GMT down 2.3% and 0.9% respectively. After several poor months of share price performance from June through to September, CEN added to its October bounce back by adding another 4.8% in November.

The largest negative contributors to relative return were from overweight positions in **Sky Network Television** (SKT) and **Ryman Healthcare** (RYM) and an underweight position in Gentrack (GTK). SKT held its Annual Shareholder Meeting during the month where it reconfirmed its earnings and dividend guidance despite noting the challenging trading conditions due to the weak economy. SKT continues to negotiate with the New Zealand Rugby Union around renewing its content rights which may be taking longer than some would have expected. SKT drifted lower over the month, ending down 10.6%. RYM announced its half year result where they announced their cashflow positive target for the year is unlikely to be met and the target has been pushed out into next year. RYM ended the period down 6.4%. GTK announced a strong result and a new contract win and rose 40.5%. GTK is now up more than 100% year-to-date.

Key portfolio changes during the month included adding to our positions in **Arcadium Lithium** (LTM), **Centuria Industrial Property** (CIP) **Kiwi Property** (KPG), **Merdian Energy** (MEL), SKT, RYM, **Spark** (SPK), **Waypoint REIT** (WPR) and **Worley** (WOR). The fund also added to its position in Channel Infrastructure (CHI) through its \$50m capital raise. Positions in **Ebos** (EBO), **Fletcher Building** (FBU), **Freightways** (FRW), **Mercury** (MCY), and **Ingenia Communities** (INA) were reduced. (**Bold** denotes stocks held in the portfolio).

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Foreign Currency Exposure:</b>	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.	<b>Strategy Launch:</b>	January 2008
<b>Wholesale:</b>	Negotiated outside of the unit price.				
<b>Retail:</b>	0.95%, refer to PDS for more details.	<b>Exclusions:</b>	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	<b>Strategy size:</b>	\$94.9m
<b>KiwiSaver:</b>	0.95%, refer PDS for more details.				
<b>Distributions:</b>		<b>Restrictions:</b>	Tobacco stocks, fossil fuels, adult entertainment, alcohol and gambling. 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>Buy / Sell spread:</b>	0.29% / 0.29%
<b>Wholesale:</b>	Calendar quarter				
<b>Retail:</b>	March and September				
<b>KiwiSaver:</b>	Does not distribute				

## Compliance

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

## Contact Us

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