

# Nikko AM Core Equity Strategy

Monthly Update 31 March 2025

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 were weak over the quarter as the impact of proposed tariffs by the USA raised concerns around the impact on global growth and inflation.
- The United States S&P 500 index fell 4.6%, the Japanese Nikkei 225 dropped 10.7%, the UK FTSE 100 index rose 5.0%, the Australian ASX 200 index lost 2.8% and the MSCI World index ended the quarter down 2.2% (in local terms).
- The S&P/NZX 50 index ended the quarter down 6.2%.

## Fund Highlights

- The fund ended the quarter down 7.6%, 1.4% behind the index return.
- It was a very busy quarter with news flow as companies reported their earnings results for the period ending December 2024.
- Ryman Healthcare surprised the market with a \$1b capital raising at a 29% discount to the last traded price in order to materially reduce debt and gearing levels.
- Overweight positions in Ingenia Communities, Worley and A2 Milk added value. Overweight positions in Ryman Healthcare, Spark and NextDC 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>	-3.13%	-7.61%	0.95%	1.91%	6.49%	9.71%
<b>Benchmark<sup>2</sup></b>	-2.43%	-6.18%	2.11%	1.27%	5.39%	8.73%
<b>Retail<sup>3</sup></b>	-3.19%	-7.74%	0.04%	0.96%	5.54%	8.53%

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 charterholder and holds a Bachelor of Commerce degree from the University of Auckland.



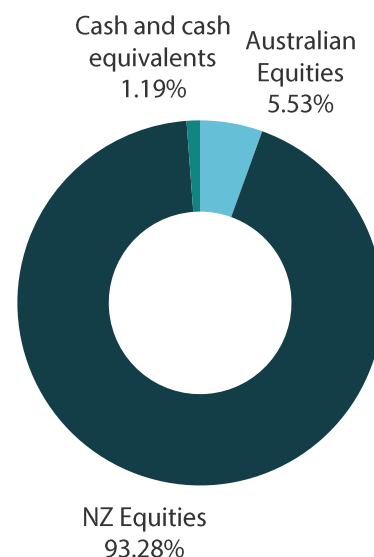
## Overview

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	28.69	25.32
Ingenia Communities	OW	Ryman Healthcare	OW	Industrials	19.48	23.14
Worley	OW	Spark	OW	Utilities	16.59	16.72
A2 Milk	OW	NextDC	OW	Financials	9.99	10.65
OW: overweight; UW: underweight; NH: no holdings				Communication services	8.02	6.15
<b>Top 10 Holdings (% of fund)</b>				Consumer staples	6.07	6.31
Fisher & Paykel Healthcare	15.40	A2 Milk	5.19	Real estate	4.31	7.10
Auckland International Airport	10.06	EBOS	4.66	Information technology	2.09	1.90
Infratil	9.61	Mainfreight	4.53	Consumer discretionary	2.06	1.69
Contact Energy	7.72	Spark	4.08	Energy	1.52	0.56
Meridian Energy	6.45	Summerset	4.02	Cash and cash equivalents	1.19	0.00
				Materials	0.00	0.46
				<b>Number of holdings</b>	<b>35</b>	<b>50</b>

## Market Commentary

Global equity markets were mixed over the March quarter with European markets up while most other markets declined, driven by earnings results, proposed tariffs and interest rate cuts. President Trump threatened wide ranging tariffs with likely rates of 25% on Canadian and Mexican goods and an additional 10% on Chinese goods. Further tariffs on other markets and goods were threatened and are likely. The tech heavy Nasdaq index and the Japanese Nikkei index were two markets that saw significant declines, down 10.4% and 10.7% respectively. Investors are assessing the impact of tariffs on global growth and inflation with both having a negative impact on equity markets. New Zealand's largest listed stock, Fisher & Paykel Healthcare, will be impacted given its manufacturing base in Mexico for goods sold into the United States market. Rate cuts by central banks around the world continue with the Reserve Bank of Australia delivering its first rate cut of the cycle. The Reserve Bank of New Zealand also cuts rates with the Official Cash rate 1.75% lower than its peak of 5.5%.

## Fund Commentary

The largest positive contributors to the fund's relative return were overweight positions in **Ingenia Communities** (INA), **Worley** (WOR) and **A2 Milk** (ATM). Following a weak performance in December, INA had a very strong quarter after upgrading its earnings guidance and delivering a solid half year result. INA rose 19.4% (in AUD) over the quarter. WOR produced a solid earnings result but more importantly for investors was that they reconfirmed their full year earnings guidance along with announcing a \$500m share buyback. WOR rose 7.1% (in AUD) over the quarter. After disappointing the market at its last result, ATM produced a good result and provided guidance around revenue and margin growth better than market expectations. ATM rose 40.4%.

The largest negative contributors to relative return were from overweight positions in **Ryman Healthcare** (RYM), **Spark** (SPK) and **NextDC** (NXT). RYM surprised the market with a large \$1b capital raising to reduce debt and gearing levels. RYM also announced a trading update that was worse than the market was anticipating, citing challenging market conditions, heightened competition and impacts from changes to pricing model and organisational restructuring. The capital raise was at a large 29% discount to last traded price. The stock fell 36.8% over the period. SPK fell heavily following the fourth downgrade / miss in a row as revenue was challenged from the economic slowdown and competition along with cost out not materialising in the half as investors expected. SPK dropped 24.8% over the quarter. NXT was caught up in technology stocks being impacted by the almost overnight arrival of the Chinese developed artificial intelligence (AI) engine DeepSeek which purports to require a fraction of the cost to develop and run compared to Western AI engines. There is also nervousness from investors in the potential overbuild of data centres in certain markets which also impacted on NXT. The stock fell 25.0% (in AUD) over the quarter.

Key portfolio changes during the quarter included adding to our positions in **EBOS** (EBO), **Infratil** (IFT), **Channel Infrastructure** (CHI), **Kiwi Property** (KPG), **Mainfreight** (MFT), **Meridian Energy** (MEL), **ResMed** (RMD), **Stride Property** (SPG), **Mercury** (MCY), SPK, **Freightways** (FRW) and **Fisher & Paykel Healthcare** (FPH). Our position in RYM was added to as part of the capital raising. A new position was taken in **Gentrack** (GTK). Positions in ATM, **Aristocrat Leisure** (ALL), **Auckland International Airport** (AIA), **Ingenia Communities** (INA) and **Restaurant Brands** (RBD) were reduced. The fund's position in Arcadium Lithium was divested ahead of the takeover completing in March. (**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).  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 Launch:</b>	October 2007
<b>Wholesale:</b>	Negotiated outside of the unit price.			<b>Strategy size:</b>	\$273.5m
<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 quarter.

## Contact Us

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto: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 information is for the use of researchers, financial advisers and wholesale clients. 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. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. 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](http://nikkoam.co.nz).