

Nikko AM Core Equity Strategy

Monthly Update 31 January 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

- Most global equity markets performed strongly over January with the inflation, interest rate and economic growth outlook continuing to be positive drivers along with corporate earnings releases and the inauguration of President Trump also having an impact.
- The United States S&P 500 index rose 2.7%, the Japanese Nikkei 225 declined 0.8%, the UK FTSE 100 index jumped 6.1%, the Australian ASX 200 index added 4.6% and the MSCI World index ended the month up 3.3% (in local terms).
- The S&P/NZX 50 index ended the month down 0.9%.

Fund Highlights

- The fund ended the month down 1.0%, 0.1% behind the index return.
- It was a relatively quiet period for news flow during January, but several companies provided updates on earnings guidance for the period ending December which will be reported in February.
- Overweight positions in Ingenia Communities, Sky Network Television and Aristocrat Leisure added value. Overweight positions in Infratil and Ryman Healthcare and an underweight position in Goodman Property detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-1.00%	2.77%	10.96%	5.25%	4.22%	10.56%
Benchmark²	-0.88%	2.90%	10.30%	3.86%	2.86%	9.54%
Retail³	-1.06%	2.52%	9.87%	4.25%	3.28%	9.36%

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).

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.

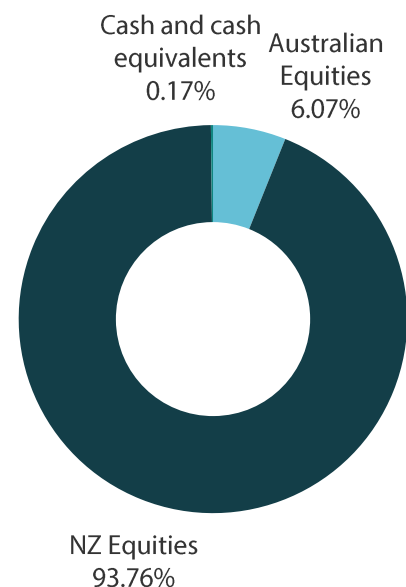
Objective

The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

Five-Year Cumulative Performance, \$10,000 invested^{1,2}



Asset Allocation



Attribution To Performance			
What Helped:		What Hurt:	
Ingenia Communities	OW	Infratil	OW
Sky Network Television	OW	Ryman Healthcare	OW
Aristocrat Leisure	OW	Goodman Property	NH

OW: overweight; UW: underweight; NH: no holdings

Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	16.08	Spark New Zealand	5.38
Auckland International Airport	10.50	Mainfreight	4.85
Infratil	9.86	Summerset	4.45
Contact Energy	7.35	EBOS	4.31
Meridian Energy	6.25	A2 Milk	3.86

Sector Allocation (% of fund)	Fund	Benchmark
Health care	29.11	26.38
Industrials	19.71	22.80
Utilities	16.30	16.53
Financials	10.37	10.91
Communication services	9.58	7.22
Consumer staples	4.66	4.59
Real estate	4.03	7.22
Consumer discretionary	2.60	1.69
Information technology	1.76	1.76
Energy	1.30	0.52
Materials	0.41	0.39
Cash and cash equivalents	0.17	0.00
Number of holdings	33	50

Market Commentary

Most global equity markets delivered strong returns during January as inflation, interest rate and economic growth outlooks continue to be positive drivers. January also saw the inauguration of President Trump and the market will keep an eye on how policies relating to immigration, healthcare, climate change / renewable energy / fossil fuels and tariffs are implemented and resulting impacts. Technology stocks were 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. The New Zealand equity market was somewhat of an outlier, delivering a negative return of 0.9%. The key driver of the New Zealand negative return was the poor performance of several companies that have large weights in the S&P/NZX 50 index with Infratil, Fisher & Parkel Healthcare, Ryman Healthcare and Contact Energy delivering negative returns of 11.0%, 2.1%, 7.4% and 2.1% respectively.

Fund Commentary

The largest positive contributors to the fund's relative return were overweight positions in **Ingenia Communities (INA)**, **Sky Network Television (SKT)** and **Aristocrat Leisure (ALL)**. Following a weak performance in December, INA had a very strong month in January after upgrading its earnings guidance. INA rose 25.6% (in AUD) over the month. SKT rose 7.7% over the period, assisted by a takeover of Foxtel in Australia on a much higher earnings multiple than what SKT trades on. On no specific news, ALL continued its excellent recent performance with another 10.6% (in AUD) return over January.

The largest negative contributors to relative return were from overweight positions in **Infratil (IFT)** and **Ryman Healthcare (RYM)** and an underweight position in **Goodman Property (GMT)**. Following a strong run over the last 12 months, IFT gave up some gains as it was impacted by investors nervousness around what impact DeepSeek would have on datacentre demand. IFT fell 11.0% over the month. RYM continues to be volatile and traded down 7.4% while GMT rose 3.7%, both on no specific news.

Key portfolio changes during the month included adding to our positions in **EBOS (EBO)**, **Freightways (FRE)**, IFT, **Kiwi Property (KPG)**, **Mainfreight (MFT)**, **Mercury (MCY)** and RYM. Positions in **Arcadium Lithium (LTM)**, **Aristocrat Leisure (ALL)**, **Channel Infrastructure (CHI)**, **Fisher & Paykel Healthcare (FPH)**, INA, **Scales (SCL)** and **Worley (WOR)** were reduced.

(**Bold** denotes stocks held in the portfolio).

Key Fund Facts

Estimated annual fund charges (incl. GST)		Exclusions: Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy Launch:	October 2007
Wholesale:	Negotiated outside of the unit price.		Strategy size:	\$282.7m
Retail:	0.95%, refer to PDS for more details.	Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://www.nikkoam.co.nz/invest/retail .	Buy / Sell spread:	0.29%/0.29%
Distributions				
Wholesale:	Calendar quarter			
Retail:	March and September			

Compliance

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

Contact Us

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

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