

# Nikko AM Core Equity Strategy

Monthly Update 30 November 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 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 2.9%, 0.5% 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 Precinct Properties and Goodman Property and an overweight position in Aristocrat Leisure 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>	2.86%	5.85%	17.13%	3.18%	4.78%	11.27%
<b>Benchmark<sup>2</sup></b>	3.40%	5.24%	16.21%	1.74%	3.68%	10.23%
<b>Retail<sup>3</sup></b>	2.77%	5.58%	15.94%	2.21%	3.83%	10.05%

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.

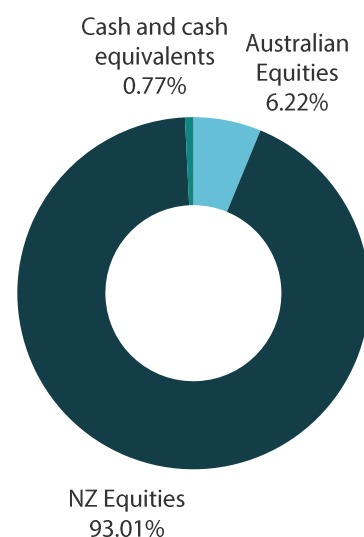
## Objective

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<sup>1,2</sup>



## Asset Allocation



Attribution To Performance			
What Helped:		What Hurt:	
Precinct Properties	NH	Gentrack Group	NH
Goodman Property	NH	Sky Network Television	OW
Aristocrat Leisure	OW	Ryman Healthcare	OW

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

Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	16.33	Spark New Zealand	5.41
Infratil	11.02	Mainfreight	4.71
Auckland International Airport	9.09	Summerset	4.36
Contact Energy	7.52	EBOS	4.04
Meridian Energy	6.16	A2 Milk	3.99

Sector Allocation (% of fund)	Fund	Benchmark
Health care	29.14	26.57
Industrials	18.03	20.76
Utilities	16.47	16.82
Financials	11.48	12.16
Communication services	9.53	7.30
Consumer staples	4.87	4.60
Real estate	3.41	7.36
Consumer discretionary	2.57	1.70
Information technology	1.85	1.83
Energy	1.37	0.49
Cash and cash equivalents	0.77	0.00
Materials	0.51	0.41
<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 Precinct Properties (PCT) and Goodman Property (GMT) and an overweight position in **Aristocrat Leisure** (ALL). 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 PCT and GMT down 3.0% and 0.9% respectively. ALL continued its recent strong run, up 10.8% (in AUD), helped by a solid FY24 earnings result.

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 **Kiwi Property** (KPG), RYM, **Spark** (SPK) and **Worley** (WOR). The fund also added to its position in Channel Infrastructure (CHI) through its \$50m capital raise. Positions in **Ebos** (EBO), **Chorus** (CNU), **Auckland International Airport** (AIA), **Fletcher Building** (FBU), **Mercury** (MCY), **Ingenia Communities** (INA) and **Infratil** (IFT) were reduced.

(**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>Strategy size:</b> \$283.2m
<b>Retail:</b>	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 <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>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

[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)