

Nikko AM SRI Equity Strategy

Monthly Update 31 March 2025

Assets are held in the Nikko AM Wholesale SRI Equity Fund. The Nikko AM SRI Equity Fund (retail) and the GoalsGetter KiwiSaver Scheme Nikko AM SRI Equity Fund invest 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 7.10%, 0.9% 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 Ingenia Communities, A2 Milk, and Worley added value. Overweight positions Ryman Healthcare, Infratil, and NextDC detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-3.00%	-7.08%	1.96%	2.28%	7.02%	10.64%
Benchmark²	-2.43%	-6.18%	2.11%	1.27%	5.39%	8.73%
Retail³	-3.08%	-7.28%	0.88%	1.37%		
KiwiSaver⁴	-3.05%	-7.27%	0.76%	1.25%	5.64%	

- Returns are before tax and before the deduction of fees and including tax credits (if any).
- Benchmark: S&P/NZX 50 Index Gross (with Imputation Credits). No tax or fees.
- Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).
- KiwiSaver fund transitioned from core strategy to SRI strategy in February 2022.

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



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.



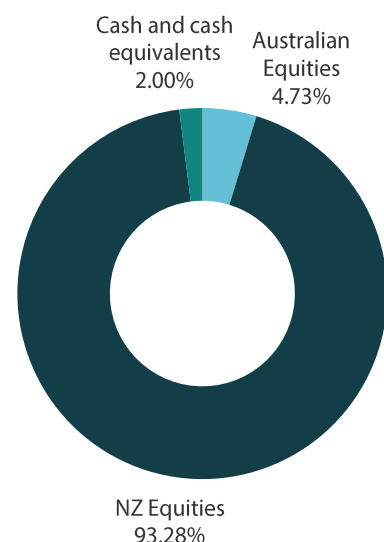
Overview

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				Sector Allocation (% of fund)	Fund	Benchmark
What Helped:		What Hurt:		Health care	28.47	25.32
Ingenia Communities	OW	Ryman Healthcare	OW	Industrials	20.33	23.14
A2 Milk	OW	Infratil	OW	Utilities	15.89	16.72
Worley	OW	NextDC	OW	Financials	10.02	10.65
OW: overweight; UW: underweight; NH: no holdings; RS: restricted stock				Communication services	7.64	6.15
Top 10 Holdings (% of fund)				Real estate	6.20	7.10
Fisher & Paykel Healthcare	15.38	Mainfreight	4.91	Consumer staples	5.98	6.31
Auckland International Airport	10.14	A2 Milk	4.80	Information technology	2.02	1.90
Infratil	9.79	EBOS	4.72	Cash and cash equivalents	2.00	0.00
Contact Energy	7.22	Spark New Zealand	3.86	Energy	1.32	0.56
Meridian Energy	6.53	Summerset	3.81	Consumer discretionary	0.13	1.69
				Materials	0.00	0.46
				Number of holdings	33	50

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 cut 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), **A2 Milk Company** (ATM), and **Worley** (WOR). INA delivered a positive 19.4% return. Following weak performance in December, the company posted a solid half year result and upgraded its full-year earnings guidance. ATM delivered a positive 40.4% return. ATM provided a well-received first half result and confirmed its maiden dividend to shareholders. Furthermore, full-year guidance for revenue and margins were better than expectations leading to upgrades to earnings forecasts. WOR delivered a positive 7.1% return. Alongside a solid half year result, the company reconfirmed its full year earnings guidance which had been in doubt. In addition, announced a \$500m share buyback.

The largest negative contributors to relative return were from overweight positions **Ryman Healthcare** (RYM), **Infratil** (IFT), and **Spark** (SPK). RYM delivered a negative 36.8% return. The company 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 had anticipated, citing challenging market conditions, heightened competition and impacts from changes to its pricing model and organisational restructure. The capital raise was at a large 29% discount to its last traded price. IFT delivered a negative 17.6% return. After several years of material outperformance against the index, the stock has been weaker year-to-date. This has largely related to negative sentiment stemming from factors outside of their control, including the market attempting to recalibrate the size of the Artificial Intelligence opportunity into something less profitable. In addition the Trump victory, could potentially lead to negative outcomes for U.S. renewable energy. SPK delivered a negative 24.8% return. The stock fell heavily following the fourth downgrade / miss in a row as revenue was challenged by the concurrent economic slowdown impacting the private sector, and rationalisation of government spend, alongside a lift in competitive intensity. Furthermore, cost out failed to materialise in the half, as investors had expected.

Key portfolio changes during the quarter included exiting Arcadium Lithium (LTM) ahead of the takeover completing in March. In addition, establishing a new position in Gentrack (GTK). Adding to positions in **EBOS** (EBO), **Infratil** (IFT), **Channel Infrastructure** (CHI) large insider sell-down, **Kiwi Property Group** (KPG), **Ryman Healthcare** (RYM) equity raise. Reducing positions in **A2 Milk Company** (ATM), **Auckland Airport** (AIA), **Ingenia Communities** (INA), and **Restaurant Brands** (RBD). (**Bold** denotes stocks held in the portfolio).

Key Fund Facts

Estimated annual fund charges (incl. GST)		Foreign Currency Exposure:	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.	Strategy Launch:	January 2008
Wholesale:	Negotiated outside of the unit price.	Exclusions:	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy size:	\$71.3m
Retail:	0.95%, refer to PDS for more details.				
KiwiSaver:	0.95%, refer PDS for more details.				
Distributions:		Restrictions:	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 https://www.nikkoam.co.nz/invest/retail .	Buy / Sell spread:	0.29%/ 0.29%
Wholesale:	Calendar quarter				
Retail:	March and September				
KiwiSaver:	Does not distribute				

Compliance

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

Contact Us

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