

Nikko AM SRI Equity Strategy

Monthly Update 31 January 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

- 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 0.9%, and in line with 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 Ingenia Communities, Arcadium Lithium, and Sky Network Television added value. Overweight positions Infratil, Ryman Healthcare, and an underweight position Goodman Property detracted value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-0.86%	2.62%	11.39%	5.49%	5.32%	11.43%
Benchmark²	-0.88%	2.90%	10.30%	3.86%	2.86%	9.54%
Retail³	-0.94%	2.38%	10.18%	4.49%		
KiwiSaver⁴	-0.94%	2.34%	10.04%	4.42%	3.29%	

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^{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.



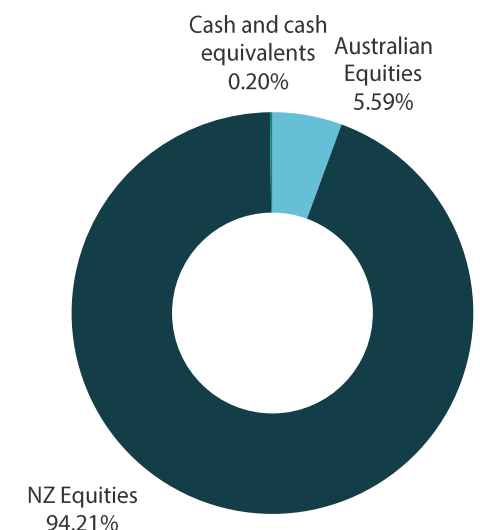
Overview

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			
What Helped:		What Hurt:	
Ingenia Communities	OW	Infratil	OW
Arcadium Lithium	OW	Ryman Healthcare	OW
Sky Network Television	OW	Goodman Property	NH

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

Top 10 Holdings (% of fund)			
Fisher & Paykel Healthcare	16.04	Spark New Zealand	5.11
Auckland International Airport	10.63	Mainfreight	4.85
Infratil	9.85	EBOS	4.31
Contact Energy	6.98	Summerset	4.10
Meridian Energy	6.22	A2 Milk	3.84

Sector Allocation (% of fund)	Fund	Benchmark
Health care	28.45	26.38
Industrials	20.40	22.80
Utilities	16.06	16.53
Financials	10.20	10.91
Communication services	9.06	7.22
Real estate	7.08	7.22
Consumer staples	5.08	4.59
Information technology	1.72	1.76
Energy	1.10	0.52
Materials	0.38	0.39
Consumer discretionary	0.27	1.69
Cash and cash equivalents	0.20	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 arrival of DeepSeek, the Chinese developed artificial intelligence (AI) engine, 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 return was the poor performance of several of the NZ heavyweights, 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 **Ingenia Communities** (INA), **Arcadium Lithium** (LTM), and **Contact Energy** (CEN). INA delivered a positive 25.6% return. Following weak performance in December, INA had a very strong month in January after upgrading its earnings guidance. LTM delivered a positive 12.3% return. Final regulatory approvals are being received regarding the acquisition by Rio Tinto. SKT delivered a positive 7.7% return. Assisted by the takeover of Foxtel in Australia, a deal transacted on a much higher earnings multiple than what SKT trades on, thus supportive of a higher valuation.

The largest negative contributors to relative return were from overweight positions **Infratil** (IFT), **Ryman Healthcare** (RYM) and an underweight position in Goodman Property (GMT). IFT delivered a negative 11.0% return. 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 data centre demand. 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)	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. Retail: 0.95%, refer to PDS for more details. KiwiSaver: 0.95%, refer to PDS for more details.	Exclusions: Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy size: \$97.3m
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 month.

Contact Us

www.nikkoam.co.nz | 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.