

NIKKO AM CONCENTRATED EQUITY FUND

Monthly Fact Sheet

Why Nikko Asset Management NZ?

As New Zealand's only dedicated global investment manager, Nikko AM NZ pairs local knowledge and experience with significant global resources. We manage over US\$200 billion globally and around NZ\$5 billion in New Zealand.

Fund overview

The Concentrated Equity fund is a collection of Nikko NZ's domestic equity manager's highest conviction investment ideas to achieve capital appreciation. The typical number of stocks in the portfolio is 15.

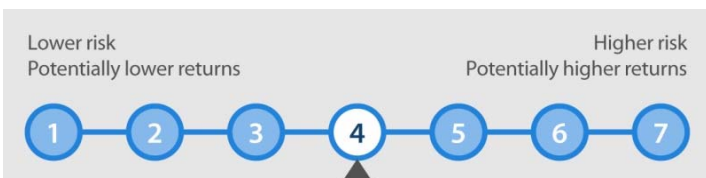
Benchmark

RBNZ Official Cash Rate plus 5% per annum

Performance objective

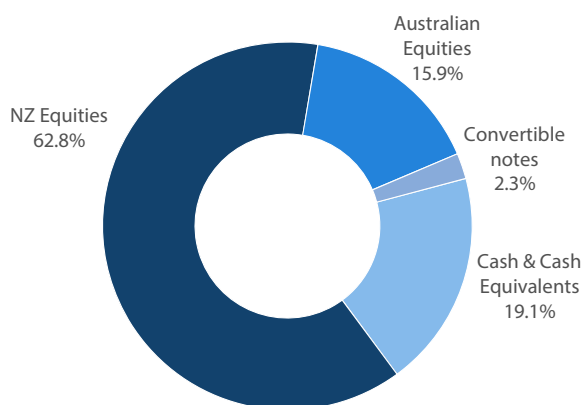
The aim is to outperform the fund's benchmark return before fees, expenses and taxes over a rolling three year period.

Risk indicator



Based on standard deviation of returns before tax and after fees over a rolling 5 years to the last calendar quarter

Asset allocation



Portfolio manager

James Lindsay, Senior Portfolio Manager

James joined Nikko AM in 1998 and covers the Telecommunications, Media, IT, Utilities and Infrastructure sectors. He has over 19 years' experience including covering Australasian share markets and share broking.



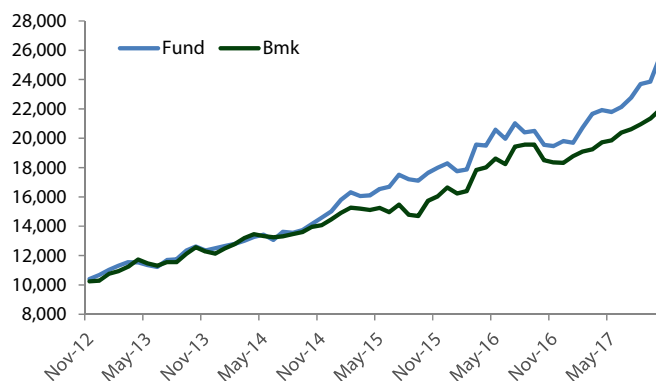
Performance summary

	Gross ¹	Benchmark	Net ²
1 month	7.06%	0.56%	6.34%
3 months	12.24%	1.66%	10.66%
1 year	30.70%	6.76%	26.76%
2 years (pa)	20.32%	7.04%	16.93%
3 years (pa)	21.77%	7.46%	17.99%
5 years (pa)	20.64%	7.57%	17.00%
10 years (pa)	11.65%	8.21%	9.20%

1. Gross returns are before tax and before the deduction of fees.

2. Net returns are before tax but after the deduction of fees and expenses.

Five year cumulative performance (gross)¹



Contribution to performance

What helped	What hurt
The A2 Milk Company	Pacific Edge
Aristocrat Leisure	NZ Refining
EROAD	Restaurant Brands

Top 10 holdings

Name	% of Fund
Metlifecare Ltd	13.00%
Westpac Call Account - AUD	12.13%
Aristocrat Leisure Ltd	10.00%
Infratil Limited	9.65%
The A2 Milk Company Limited	8.14%
Westpac Call Account - NZD	7.55%
Spark New Zealand Limited	7.25%
Japara Healthcare Ltd	5.93%
New Zealand Refining Company Limited	5.91%
Eroad Ltd	5.33%
Number of holdings in fund	14

Key fund facts

Strategy launch date August 2006	Distributions March and September for retail fund. Calendar quarter for wholesale fund.
Fund structure PIE Fund – wholesale and retail	Benchmark RBNZ Official Cash Rate plus 5% per annum
Fees in retail fund Management fee 1.00% p.a. Expenses (maximum) 0.25% p.a. Expenses (current) 0.18% p.a.	Hedging Foreign currency exposures may be hedged to NZD at the Manager's discretion with an operational range of 0% to 105%. Currently the fund's foreign currency exposure is unhedged.
Performance fee in retail fund 10% on gains above benchmark over 12 month period after fees and expenses. High water mark applies.	
Buy/sell spread 0.35% / 0.35%	

Compliance

The Fund complied with its investment mandate, SIPO and trust deed during the month.

Contact us

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Important Information

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 and the Nikko AM NZ Wholesale Investment 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 personal 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 an Authorised Financial Adviser 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.

Market commentary

The month of October saw the reaction to the final results of the New Zealand election and formation of the new government. Equity markets largely ignored the outcome of a Labour led government, but the NZ dollar sharply sold off, and tracked higher along with other foreign share markets over the month. Topical global issues, North Korea and US Russian scandals, did little to derail positive sentiment. In the strong market backdrop the MSCI All Country World index was up 2.54%, S&P +2.22%, the Australian S&P/ASX 200 rose 4.01% and the New Zealand equity market was up a solid 2.77% as measured by the S&P/NZX 50 index (all in local dollar terms).

Fund commentary

Over the month the fund performed well against the wider market with the fund's gross return of +7.06%. Year to date this has meant the fund has produced a solid 28.96% return before tax and fees. The month's significant outperformance was aided by exceptionally strong performance from **A2 Milk Company** (ATM) +35%, **EROAD** (ERD) +25%, **Japara Healthcare** (JHC) +16.4%, **Aristocrat Leisure** (ALL) +15.3% and Property Link (PLG) +10.2%. **Japara Healthcare** (JHC) bounced back after last month's poor result with a strategic buyer paying a premium for a large stake in the company. Two stocks that were owned over the period detracted from fund performance including **Pacific Edge** (PEB) which fell 27.3% on a discounted capital raising release and **Metlifecare** (MET) down only 0.36% but a large fund position. The fund successfully avoided owning a number of NZX50 index member positions that disappointed including Fletcher Building (FBU) -7.8% for the month and Sky TV (SKT) -7.4%.

Over the month the manager sold two securities from the fund, Property Link (PLG) and its relatively small position in a Rabobank perpetual bond. PLG, which had been one of the fund's largest holdings, has had two strategic buyers bid for positions in the company leading to the stock rise of 10.3% for the month before the sale and a 43.2% return for the year. One stock, Spark (SPK) was added to the fund. The stock's share price had fallen due to concerns of the NZ election and came back to an attractive entry level. Cash over the period was built up from reductions in the fund's holdings in **Contact Energy** (CEN) and **Metlifecare** (MET) and the previously mentioned sales. This was offset somewhat with up-weights in **Aristocrat Leisure** (ALL) and the Spark purchase.

Currencies remained volatile and saw the New Zealand dollar (NZD) falling 3% against the Australian dollar (AUD) and down 5.1% against the US dollar (USD) for the month. The fall in the NZD against the AUD provided positive value add to portfolio returns as fund exposures to AUD were unhedged over the month. (**Bold** denotes stock held in portfolio)