

NIKKO AM CONCENTRATED EQUITY FUND

Monthly Fact Sheet

Why Nikko Asset Management NZ?

As a dedicated global investment manager Nikko AM NZ pairs local knowledge and experience with significant global resources. The Nikko group manages around US\$200 billion globally, including around NZ\$5 billion in New Zealand.

Fund overview

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

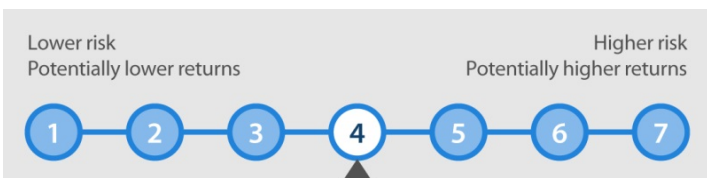
Benchmark

RBNZ Official Cash Rate plus 5% per annum

Performance objective

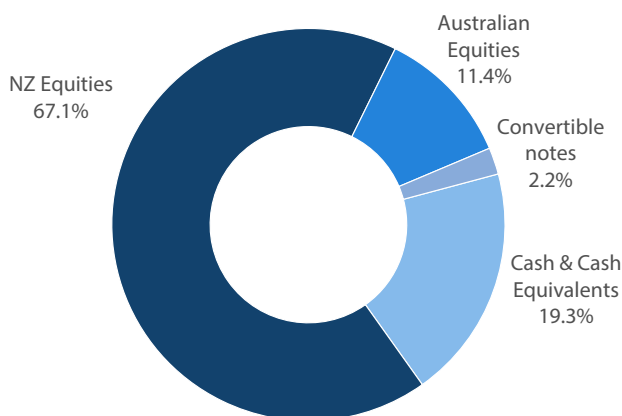
The aim is to outperform the fund's benchmark return before fees, expenses and taxes over a rolling three year period.

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 20 years' experience including covering Australasian share markets and share broking.



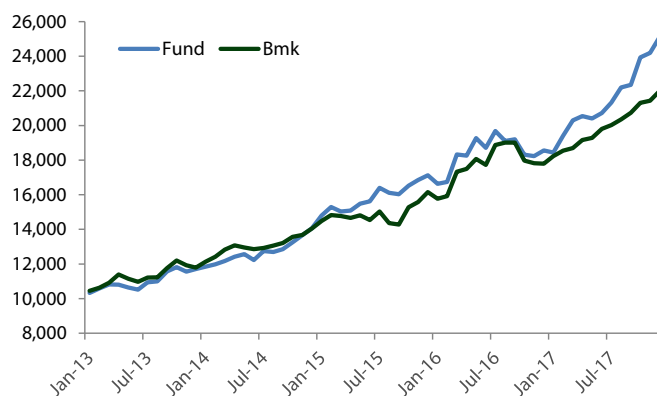
Performance summary

	Gross ¹	Benchmark	Net ²
1 month	3.82%	0.56%	3.61%
3 months	12.36%	1.66%	10.99%
1 year	35.34%	6.75%	31.47%
2 years (pa)	21.08%	6.97%	18.16%
3 years (pa)	21.32%	7.36%	18.06%
5 years (pa)	20.22%	7.54%	16.93%
10 years (pa)	12.79%	8.10%	8.81%

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 and including tax credits.

Five year cumulative performance (gross)¹



Contribution to performance (quarter)

What helped	What hurt
EROAD	Pacific Edge
The A2 Milk Company	Fisher & Paykel Healthcare
Aristocrat Leisure	Stride Group

(At month end position)

Top 10 holdings

Name	% of Fund
Metlifecare	13.14%
Aristocrat Leisure	11.35%
Contact Energy	9.12%
The A2 Milk Company	8.88%
New Zealand Refining Company	7.74%
Xero	7.31%
Eroad	7.27%
Restaurant Brands New Zealand	5.35%
Metro Performance Glass	2.87%
Precinct Properties	2.20%
Number of holdings in fund	14

Key fund facts

<p>Strategy launch date August 2006</p> <p>Strategy FUM \$111.3m</p> <p>Fund structure PIE Fund – wholesale and retail</p> <p>Fees in retail fund Management fee 1.00% p.a. Expenses (maximum) 0.25% p.a. Expenses (current) 0.13% p.a.</p> <p>Performance fee in retail fund 10% on gains above benchmark over 12 month period after fees and expenses. High water mark applies.</p> <p>Buy/sell spread 0.35% / 0.35%</p>	<p>Distributions March and September for retail fund. Calendar quarter for wholesale fund.</p> <p>Benchmark RBNZ Official Cash Rate plus 5% per annum</p> <p>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.</p>
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Compliance

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

Contact us

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

Market commentary

Equity markets ended the year strongly with the S&P 500 index up 6.1% for the quarter, the FTSE 100 index up 4.3%, the Nikkei 225 index up 11.8% and the MSCI World index up 5.3%. Over the year these indices were up 19.4%, 7.6%, 19.1% and 19.8% respectively. The New Zealand equity market continued its strong run with the S&P/NZX 50 index (including imputation credits) up 6.1% for the quarter and 23.6% for the year. While the Australian market had a strong final quarter, up 7.6% as measured by the S&P/ASX 200 Accumulation index it still underperformed most international markets over the year, up 11.8%.

Fund commentary

The fund had a very satisfactory quarter being up 12.4% and 6.1% ahead of the S&P/NZX50 Index for the period. The significant outperformance was aided by exceptionally strong performance from **EROAD** (ERD) +63.8%, **A2 Milk Company** (ATM) +25.5%, **Japara Healthcare** (JHC) +21.7% (in AUD), **Aristocrat Leisure** (ALL) +15.6% (in AUD). During the period the fund held them, **Xero** (XRO) returned + 11.5% and Property Link (PLG) +10.2% The strong performance from EROAD was on the back of a solid result and progress in the US market both in terms of customer adds and them being included in a new heavy truck trial on the East Coast. A capital raising in December at \$3.04 did little to dampen the stock performance with the stock up 126.6% for the year.

A few changes were made over the quarter including reducing the fund's position in **Infratil** (IFT) and selling out completely of **Japara** (JHC) and **Propertylink** (PLG). This led to cash over the period building up. PLG, which had been one of the fund's largest holdings at a point, had two strategic buyers bidding for positions in the company leading to the stock rise before the sale and a 43.2% return for the year. **Japara Healthcare** (JHC) bounced back after a few months of lacklustre performance on a poor result with a strategic buyer paying a premium for a large stake in the company. This led to the complete sale of the name on the share price appreciation. Three new stocks were added to the fund over the period namely; **Spark** (SPK), **Tilt** (TLT) and **Xero** (XRO).

Over the quarter only three stocks owned by the fund detracted from fund performance. **Pacific Edge** (PEB) which fell 16.1% on a discounted capital raising release, **Fisher & Paykel Healthcare** (FPH) down 1.2% while held and **Metro Performance Glass** (MPG) down 0.1%.

Currency movements were volatile over the period but saw the New Zealand dollar (NZD) rise 1.2% against the Australian dollar (AUD) and up 1.5% against the US dollar (USD) for the quarter. The rise in the NZD against the AUD cost portfolio returns as fund exposures to AUD were unhedged over the period.

(bold denotes stock held in the portfolio)

Important Information

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