

# 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.

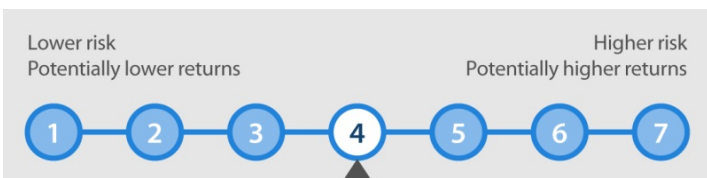
### Benchmark

RBNZ Official Cash Rate plus 5% per annum

### Performance Objective

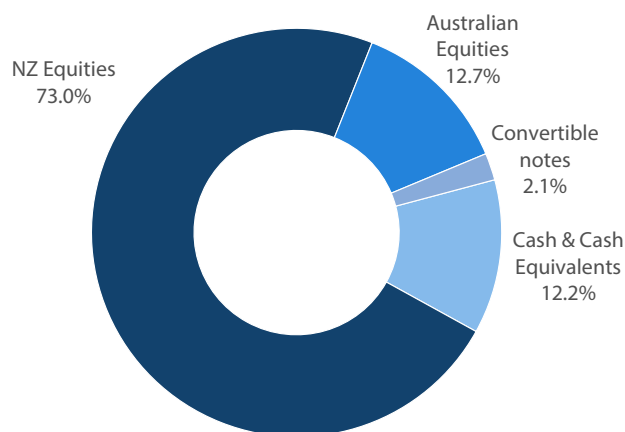
The aim is to outperform the fund's benchmark return before fees, expenses and taxes over a rolling three year period.

### 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.



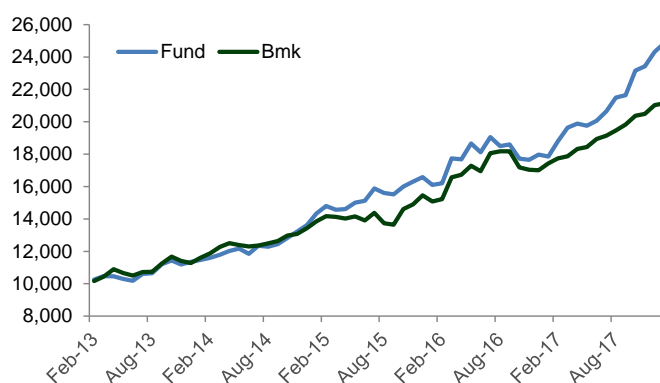
### Performance Returns

	Gross <sup>1</sup>	Benchmark	Net <sup>2</sup>
1 month	2.20%	0.56%	2.19%
3 months	7.26%	1.66%	6.65%
1 year	39.22%	6.75%	35.26%
2 years (pa)	24.24%	6.93%	21.17%
3 years (pa)	20.14%	7.31%	17.11%
5 years (pa)	19.97%	7.53%	16.77%
10 years (pa)	13.97%	8.05%	9.97%

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)<sup>1</sup>



## Contribution to Performance (month)

What helped	What hurt
The A2 Milk Company	OW NZ Refining Co OW
Xero	OW
EROAD	OW

(At month end position)

## Top 10 Holdings

Name	% of Fund
Metlifecare	13.03%
Aristocrat Leisure	12.69%
The A2 Milk Company	9.88%
Spark New Zealand	8.97%
Contact Energy	8.95%
Xero	7.69%
EROAD	7.52%
New Zealand Refining Company	7.12%
Restaurant Brands New Zealand	4.69%
Metro Performance Glass	2.63%
<b>Number of holdings in fund</b>	<b>13</b>

## Key Fund Facts

<p><b>Strategy launch date</b> August 2006</p> <p><b>Strategy FUM</b> \$114.1m</p> <p><b>Fund structure</b> PIE Fund – wholesale and retail</p> <p><b>Fees in retail fund</b> Management fee 1.00% p.a. Expenses (maximum) 0.25% p.a. Expenses (current) 0.13% p.a.</p> <p><b>Performance fee in retail fund</b> 10% on gains above benchmark over 12 month period after fees and expenses. High water mark applies.</p> <p><b>Buy/sell spread</b> 0.35% / 0.35%</p>	<p><b>Distributions</b> March and September for retail fund. Calendar quarter for wholesale fund.</p> <p><b>Benchmark</b> RBNZ Official Cash Rate plus 5% per annum</p> <p><b>Hedging</b> 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

NZ equity markets started the year up mildly in January with the S&P/NZX 50 index up 0.53% but this was only after a very strong final day of the month, +1.73%, with passive index funds re-weighting. January's performance was on the back of a very strong 2017 where the NZX50 rose 23.60% and the fund returned 30.98%. The Australian market lost ground, down 0.45% in January, as measured by the S&P/ASX 200 Accumulation index. This made both the NZ and Australian markets big underperformers against most international markets with the US S&P500 +5.6%, Japanese Nikkei +1.5%, Chinese Shanghai +6.1% and MSCI World +4.1% all in local currency.

In economic news, recent business confidence data has continued to soften since the September election. This may have an impact on earnings growth due to the strong relationship with business confidence and GDP growth. Other survey data suggests businesses are expecting prices and thereby inflation to rise in the future. This was in spite of the data for the December quarter showing unexpectedly weak inflation. Currencies continued to be volatile over the period but saw the New Zealand dollar (NZD) rise 0.6% against the Australian dollar (AUD) and be up 3.8% against the US dollar (USD) for the month. The rise in the NZD against the AUD cost portfolio returns as fund exposures to AUD were unhedged over the period.

## Fund Commentary

The fund had a strong month up 2.20%, being 1.7% ahead of the S&P/NZX50 Index. The outperformance was aided by strong performances from **Xero** (XRO) which returned + 7.9%, **EROAD** (ERD) +6.2% and **A2 Milk Company** (ATM) +14%. Over the month, only one stock owned by the fund detracted any real fund performance being **NZ Refining** (NZR). This followed a lower than expected hydrocracker margin outcome for the refinery over November and December after falling from recent margin highs.

A few fund changes were made over the month including selling out of the fund's position in Infratil (IFT). Cash was used to up-weight positions in a number of existing names including **A2 Milk** (ATM), **Aristocrat Leisure** (ALL) and **Spark** (SPK).

(**Bold** denotes stock held in portfolio)

### Important Information

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