

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.

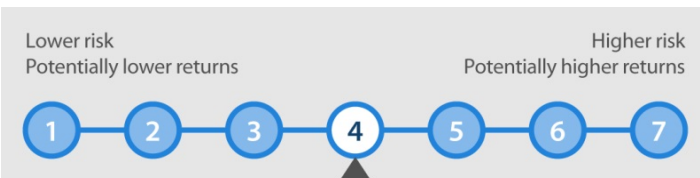
Benchmark

RBNZ Official Cash Rate plus 5% per annum

Performance Objective

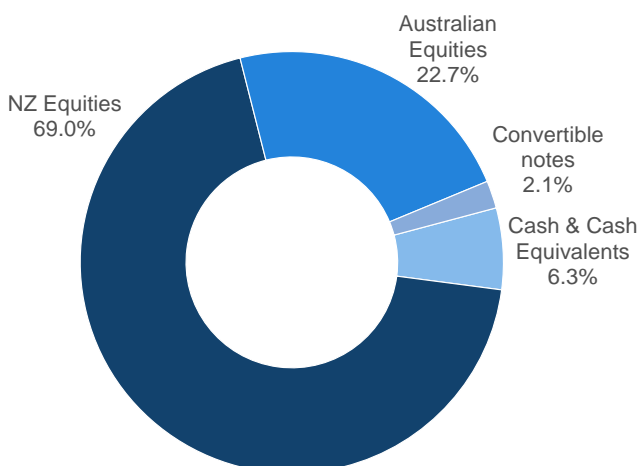
The aim is to outperform the fund's benchmark return before fees, expenses and taxes over a rolling three year period.

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.



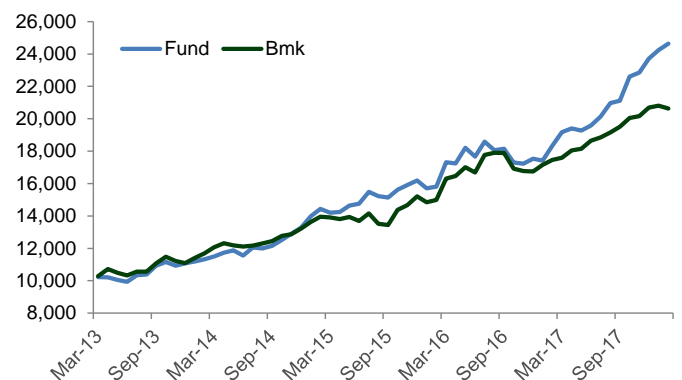
Performance Returns

	Gross ¹	Benchmark	Net ²
1 month	1.65%	0.50%	1.18%
3 months	7.86%	1.62%	7.13%
1 year	34.39%	6.75%	30.13%
2 years (pa)	24.86%	6.90%	21.76%
3 years (pa)	19.50%	7.27%	16.40%
5 years (pa)	19.77%	7.52%	16.52%
10 years (pa)	14.27%	8.00%	10.16%

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 (month)

What helped	What hurt
The A2 Milk Company	Spark New Zealand
Aristocrat Leisure	Metlifecare
Westpac Banking Corp	Contact Energy

Top 10 Holdings

Name	% of Fund
Metlifecare	12.71%
Aristocrat Leisure	12.20%
The A2 Milk Company	11.20%
Contact Energy	9.88%
Spark New Zealand	9.27%
EROAD	7.14%
New Zealand Refining Company	6.95%
Westpac Banking Corp	6.26%
Restaurant Brands New Zealand	4.36%
Xero	4.20%
Number of holdings in fund	15

Key Fund Facts

Strategy launch date August 2006	Distributions March and September for retail fund. Calendar quarter for wholesale fund.
Strategy FUM \$112.2m	Benchmark RBNZ Official Cash Rate plus 5% per annum
Fund structure PIE fund – wholesale and retail	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.
Fees in retail fund Management fee 1.00% p.a. Expenses (maximum) 0.25% p.a. Expenses (current) 0.13% p.a.	
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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Market Commentary

Global equity markets fell sharply early in the month on the back of stronger US economic data, which lead to fears of interest rates rising faster than expected. By the end of the month, markets had recovered some of their loses with the US S&P 500 index down 3.9% and the MSCI World down 2.6%. In addition to the move higher in bond yields, talk of Trump moving to put tariffs on other products rattled markets. The NZ market as measured by the S&P/NZ50 index was down 0.8% whereas the Australian S&P/ASX 200 index was up 0.4%.

Fund Commentary

Portfolio returns were strong returning 1.65% which was 1.15% ahead of the benchmark. Year-to-date the fund is up a solid 3.9%, compared against the benchmark of 1.06% and the NZX50 of -0.3%.

The February 2018 NZ earning’s season showed a 5.5% earnings growth against last year. This was aided by exceptionally strong earnings growth of **A2 Milk** (ATM) which saw the stock rise 43.8% in February after superb growth in sales to China and undertaking an extensive deal with Fonterra.

Other contributors were **Aristocrat** (ALL) 1.6% and **Xero** (XRO) 0.8% for the month. The fund avoided a number of the weak NZX50 performers over the month including Comvita -15%, Sky TV -13%, Heartland -12% and Chorus -9%. Within the month active managing of holdings in **Fletcher Building** (FBU) added small amounts of value for the fund while the stock was under considerable pressure over it breaching debt covenants and writing further monies off at its large scale construction contracts. By month end the fund held none of the name and the stock was down 16.7% - the worst performing stock within the S&P/NZX50 index for the month.

The fund added two new stocks over the month, **Westpac Bank** (WBC) and **Z Energy** (ZEL). One holding was sold over the month. Tilt Renewables (TLT), in favour of upping the portfolio weight in **Contact Energy** (CEN). Currencies continued to be volatile over the period but saw the New Zealand dollar (NZD) rise 1.26% against the Australian dollar (AUD), but fell 2.04% against the US dollar (USD). The rise in the NZD against the AUD contributed negatively as fund exposures to AUD are currently unhedged.

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

Important Information

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