

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.

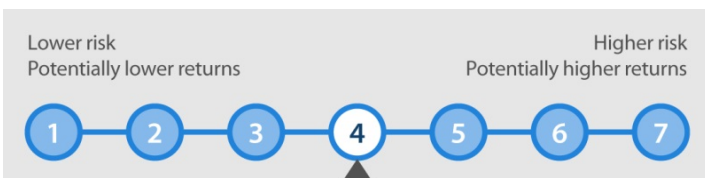
Benchmark

RBNZ Official Cash Rate plus 5% per annum

Performance Objective

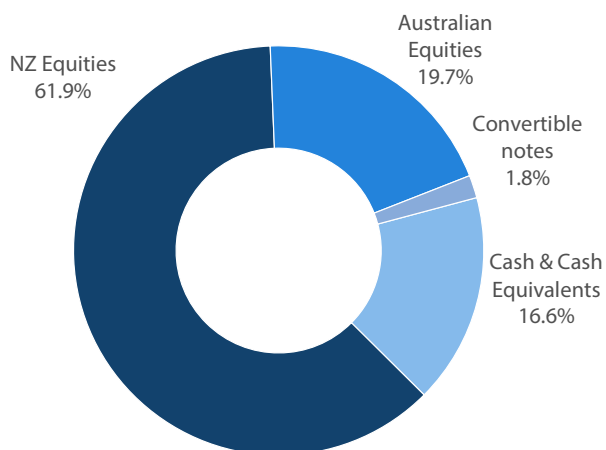
The aim is to outperform the fund's benchmark return before fees, expenses and taxes over a rolling three year period.

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.



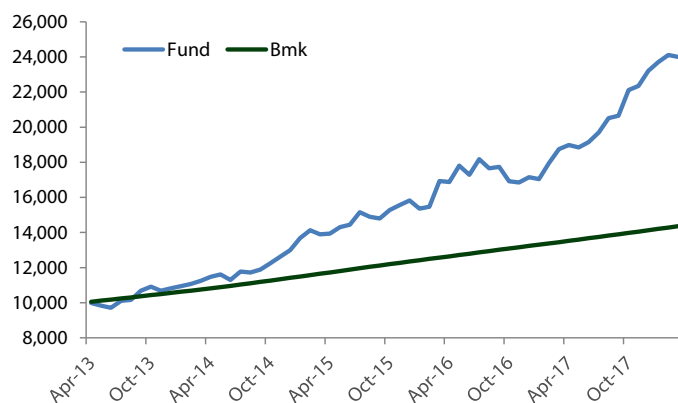
Performance Returns

	Gross ¹	Benchmark	Net ²
1 month	-0.41%	0.56%	-0.48%
3 months	3.46%	1.62%	2.90%
1 year	28.06%	6.75%	24.25%
2 years (pa)	19.07%	6.87%	16.29%
3 years (pa)	20.00%	7.22%	16.84%
5 years (pa)	19.14%	7.50%	15.96%
10 years (pa)	14.32%	7.94%	11.59%

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
The A2 Milk Company	Metro
Xero	NZ Refining
EROAD	Metlifecare

Top 10 Holdings

Name	% of Fund
Metlifecare	14.95%
Aristocrat Leisure	11.80%
Contact Energy	9.88%
The A2 Milk Company	9.15%
Westpac Banking Corp	7.90%
EROAD	7.55%
New Zealand Refining Company	6.67%
Z Energy	4.29%
Restaurant Brands New Zealand	4.18%
Metro	3.19%
Number of holdings in fund	13

Key Fund Facts

Strategy launch date August 2006	Distributions March and September for retail fund. Calendar quarter for wholesale fund.
Strategy FUM \$111.5m	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 were volatile over the quarter, starting strongly on the back of US tax reforms before being impacted by rising interest rates and US import tariffs. The markets slid as investors worried about the impact of potential escalation of trade wars between the US and China, with China threatening to impose retaliatory tariffs on more than a hundred U.S. products from pork to soybeans. The US S&P 500 index ended the quarter down 1.2%, the UK FTSE 100 down 8.2% and the MSCI World was down 1.9% in local currency. The move higher in bond yields was a headwind for the local equity market which was down 0.6% as measured by the S&P/NZX 50 index. The Australian S&P/ASX 200 index was down 3.9%.

Fund Commentary

The fund had a good first quarter of 2018 with a gross return before fees of 3.46%, being 4.05% ahead of the broader NZ market. For the year ending March 2018 the fund is now 11.13% ahead of the NZX50 Index with a 28.06% gross return. The fund's strong returns over the quarter were boosted by the 55.4% jump for **A2 Milk** (ATM), the 7.9% rise in XERO (XRO) and the 7% uptick in **EROAD** (ERD). The fund's small holding in **Metro Performance Glass** (MPG) continued to disappoint with further earnings warning, an announcement the CEO would leave and its removal from the NZX50 Index. These factors led to a 22.4% fall for the quarter.

The portfolio had a number of changes over the quarter. Fletcher Building (FBU) was successfully traded twice over the quarter providing a positive 4.7% return to the fund while the stock itself fell close to 21% over the quarter. **Westpac Bank** (WBC) was added to the fund over February and March as was **Z Energy** (ZEL). Stocks sold entirely from the fund included Infratil (IFT), Spark (SPK), and XERO and each of these added good relative value against the NZX50 index return. The fund's very small position in Tilt (TLT) was also sold entirely to concentrate the positions in other portfolio holdings.

Currency movements were volatile over the period but saw the New Zealand dollar (NZD) rise 3.7% against the Australian dollar (AUD) and up 2% 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 portfolio)

Important Information

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