

Factsheet 30 November 2018

NIKKO AM CONCENTRATED EQUITY STRATEGY

Applies to: Nikko AM Wholesale Concentrated Equity Fund, Nikko AM Concentrated Equity Fund (retail)

Market Overview

- Global equity markets remain volatile but stabilised in November with the MSCI World index up 1.4%.
- The UK market bucked the trend losing 2.1% on Brexit plan complications.
- The NZ market as represented by the S&P/NZX 50 index was up 0.9%.

Fund Highlights

- The fund underperformed its benchmark by 3.36%.
- Key Australian positions performed poorly with **Aristocrat Leisure** (ALL) down 12.5% and **Viva Energy** (VEA) down 8.8%. NZ positions in **Metlifecare** (MET) and **EROAD** (ERD) also detracted value.
- On the positive side **Orocobre** (ORE) 27.1%, **NEXTDC** (NXT) 7.5% aided portfolio returns but were not able to counter the other portfolio positions.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-2.82%	-12.52%	1.00%	13.19%	16.14%	15.19%
Benchmark ²	0.54%	1.64%	6.75%	6.92%	7.40%	7.55%
NZSE50 ³	0.88%	-4.89%	8.92%	14.42%	14.37%	13.97%
Retail ⁴	-2.90%	-12.64%	-0.58%	10.77%	13.44%	12.81%

1. Returns are before tax and before the deduction of fees

2. Benchmark: RBNZ Official Cash Rate plus 5% per annum. No tax or fees.

3. S&P / NZX 50 Index Gross (with Imputation Credits). No tax or fees.

4. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any)

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.



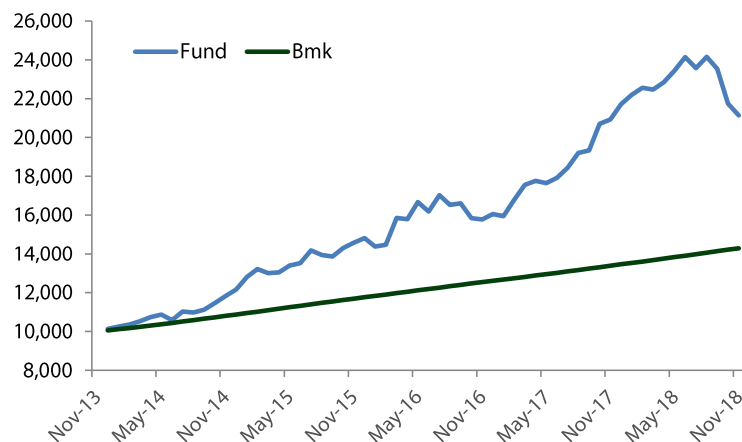
Overview

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.

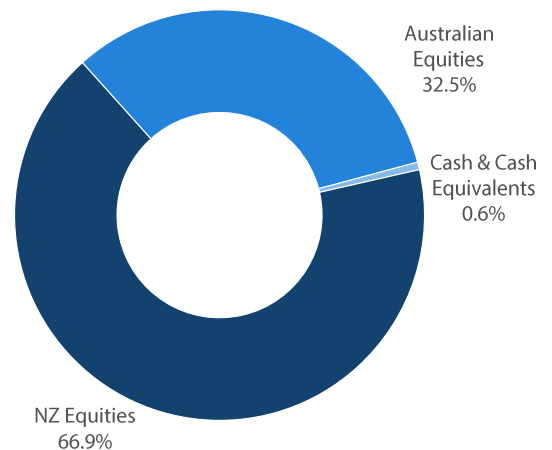
Objective

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

Five Year Cumulative Performance^{1,2}



Asset Allocation



Contribution to Performance		Top 10 Holdings			
What Helped:	What Hurt:	Metlifecare Limited	13.57%	Viva Energy Group	7.20%
Orocobre	Aristocrat Leisure	The A2 Milk Company	12.81%	Z Energy	6.94%
Contact Energy	Fletcher Building	Aristocrat Leisure	11.38%	NZ Refining Company	6.20%
NextDC	Viva Energy	Fletcher Building	8.34%	Orocobre	5.40%
		Contact Energy	7.24%	Infratil	5.23%
Number of holdings					14

Market Commentary

Post the broad based fall seen in equities across the globe last month equity markets mostly bounced in November except in the UK given Brexit concerns. The United States S&P 500 index gained 1.8% after falling 6.9% in October. The Nikkei 225 index in Japanese was up 2.0%. The UK FTSE 100 index bucked the trend and lost 2.1% following continuing complications about its Brexit plans. The New Zealand market, as measured by the S&P/NZX 50 index was up 0.87% with heavy news flow and takeover offers (for Trademe and Restaurant Brands) producing a wide divergence of returns across the market.

Fund Commentary

The fund fell 2.82% which compared poorly against the NZX 50 Index return of 0.88%. Over the month a position in **Infratil** (IFT) was introduced adding good value with the stock up 4.66% since purchase. The manager sold the small portfolio position in Restaurant Brands and reduced the size of the **Orocobre** (ORE) and Westpac Bank (WBC). The fund used the proceeds over the month to up-weight the positions in **A2 Milk** (ATM), **Contact Energy** (CEN) and **Fletcher Building** (FBU). FBU cited concerns around the outlook for earnings from its Australian business which saw the stock sell off over the month and along with **Metlifecare** (MET) fell as concerns grew for the topping out of the housing market. **Aristocrat Leisure** (ALL) fell despite a strong overall full year result announcement as the market focused on modestly underwhelming Digital business performance. By month end cash was mostly reinvested and represented 0.2% of the fund down from 4.3% at the end of October. Currency movements saw the New Zealand dollar (NZD) rise 2.2% against the Australian dollar (AUD) but 5.5% rise against the US dollar (USD) for the month. The rise in the NZD against the AUD detracted from portfolio returns as fund exposures to AUD were unhedged.

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

Key Fund Facts

Distributions

Wholesale fund: Calendar quarter
Retail fund: March and September

Hedging

Foreign currency exposures may be hedged to NZD at the Manager's discretion within an operational range of 0% to 105%. Currently the fund's foreign currency exposure is unhedged

Estimated annual fund charges

Wholesale: negotiated outside of fund
Retail: 1.17%, refer PDS for more details

Buy / Sell spread: 0.29% / 0.29%

Performance fee

10% on gains above benchmark over 12 month period after fees and expenses. High water mark applies.

Strategy size

\$122.7m

Strategy Launch

August 2006

Compliance

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

Contact Us

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