

Factsheet 28 February 2019

NIKKO AM CONCENTRATED EQUITY STRATEGY

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

Market Overview

- Equity markets continued their strong start to the year.
- The United States S&P 500 index rose 3.3%, the Japanese Nikkei 225 index was up 2.9%, the FTSE 100 index added 1.5% and the MSCI World index ended up 3.4%.
- The NZ S&P/NZX 50 index performed in line with most international markets, up 3.8%.

Fund Highlights

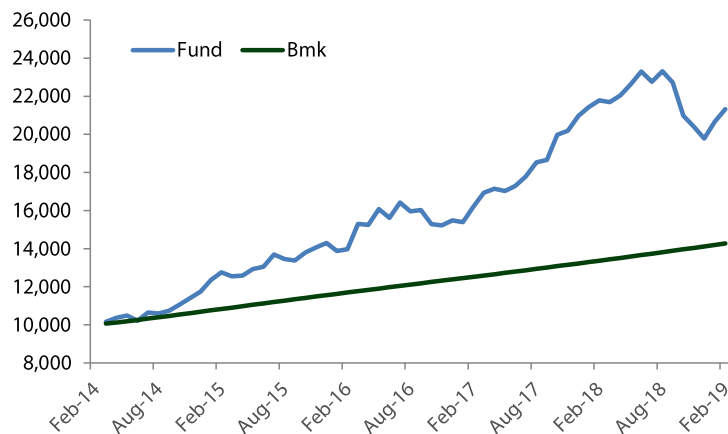
- The fund performed well and ended the month up 3.19% but behind the NZ S&P/NZX 50 index.
- February was busy in terms of company news flows with a number of the fund's holdings reporting results for the period ending December 2018.
- Key positions that added value were Viva Energy, Orocobre, A2 Milk and Infratil.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	3.19%	4.56%	-2.09%	15.14%	16.35%	15.51%
Benchmark ²	0.50%	1.62%	6.75%	6.85%	7.37%	7.48%
NZSE50 ³	3.81%	5.78%	12.57%	15.73%	14.73%	15.43%
Retail ⁴	3.09%	4.29%	-3.21%	12.79%	13.67%	13.13%

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)

Five Year Cumulative Performance^{1, 2}



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 covering Australasian share markets in funds management and share broking.



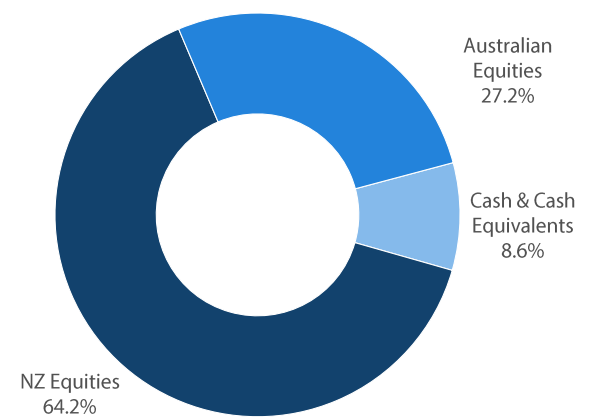
Overview

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.

Asset Allocation



Contribution to Performance		Top 10 Holdings			
What Helped:	What Hurt:	Metlifecare	11.99%	Fletcher Building	8.04%
Viva Energy	NZ Refining	The A2 Milk Company	10.94%	Z Energy	6.86%
The A2 Milk Company	EROAD	Contact Energy	10.16%	Cash	6.17%
Orocobre	NEXTDC	Aristocrat Leisure	9.82%	Infratil	6.08%
Absolute contribution – not relative to S&P/NZX50 Index		Viva Energy	9.61%	Orocobre	5.26%
Number of holdings					13

Market Commentary

Equity markets backed up the strong January performance with another good month in February. The United States S&P 500 index rose 3.3%, the Japanese Nikkei 225 index was up 2.9%, the FTSE 100 index added 1.5% and the MSCI World index ended up 3.4%. The New Zealand market produced a good return, in line with most international markets, up 3.8% as measured by the S&P/NZX 50 index. Heavy news flow from companies reporting results for the period ending December 2018 produced a large range of returns across the market.

Fund Commentary

The fund ended the month up 3.19%. Over the month the largest positive contributors to (relative to the S&P/NZX 50 index) return were positions in **Viva Energy** (VEA), **Orocobre** (ORE), and **Infratil** (IFT). **A2 Milk** (ATM) continues to produce outstanding results up 13.1% over the month. The largest negative contributors to return were positions in **New Zealand Refining** (NZR) and **Metlifecare** (MET). NZR fell 9.9% after forecasting higher expenses for the year ahead of what the market was expecting. While MET released a half year earnings result which showed no particular issues, the stock continues to struggle to find support and fell 1.6%. Nil positions in Fisher & Paykel Healthcare (FPH), and Resmed (RMD) were a drag on relative performance. FPH cost the fund over 1% relative to the NZX50, rising 17% after unexpectedly announcing they had reached settlement of their legal dispute with Resmed (RMD) with no payment or admission of liability by either side. Sky City (SKC) was sold over the month after a strong performance of 13.5% over the December and January period. During the month the fund's positions in **ATM** and **NEXTDC** (NXT) were reduced and the proceeds were used to increase positions in **Contact Energy** (CEN) and VEA.

(Bold denotes stock held in portfolio)

Key Fund Facts

Distributions	Estimated annual fund charges	Strategy size
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund	\$130.8m
Retail fund: March and September	Retail: 1.17%, refer PDS for more details	
Hedging	Buy / Sell spread: 0.29% / 0.29%	Strategy Launch
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	Performance fee	August 2006
	10% on gains above benchmark over 12 month period after fees and expenses. High water mark applies.	

Compliance

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

Contact Us

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