

Factsheet 30 June 2019

NIKKO AM CONCENTRATED EQUITY STRATEGY

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

Market Overview

- Over the quarter, equity markets continue to push higher on the back of low interest rates.
- The United States S&P 500 index rose 4.8%, the Japanese Nikkei 225 index increased 0.3%, the FTSE 100 index added 2.0%, the ASX 200 index jumped 8.0% and the MSCI World index ended the quarter up 3.2%.
- The S&P/NZX 50 index performed well against our international peers, up 6.8%.
- Bond yields continued to fall globally with 10-year US Treasury bond yields dropping 40bps over the quarter to 2.01% while the NZ 10-year bond ended the quarter down 24bps to 1.57%.

Fund Highlights

- The fund performed well ending the quarter up 6.8%.
- Key contributors to performance were Aristocrat Leisure, Contact and Infratil.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.85%	6.78%	0.30%	14.39%	18.01%	15.19%
Benchmark ²	0.52%	1.61%	6.71%	6.78%	7.28%	7.44%
NZSE50 ³	3.86%	6.82%	18.60%	16.36%	16.77%	15.59%
Retail ⁴	1.76%	6.55%	-0.28%	12.25%	15.39%	12.84%

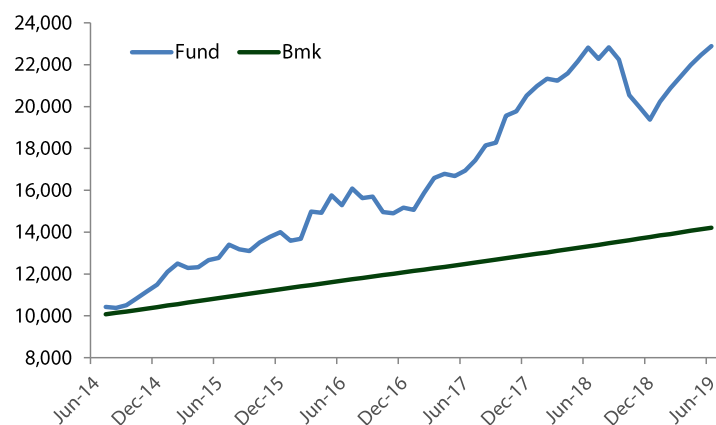
1. Returns are before tax and before the deduction of fees

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, \$10,000 invested^{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.

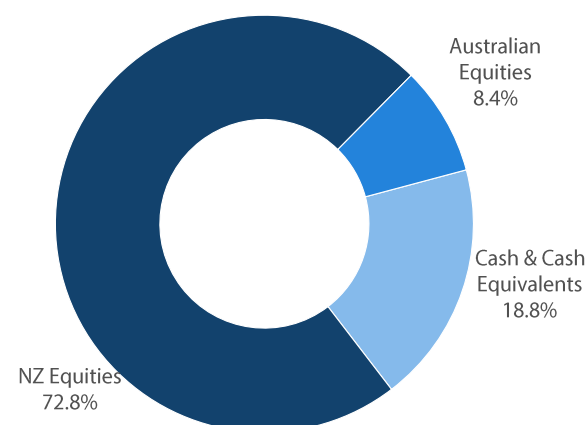
Overview

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 (quarter)		Top 10 Holdings			
What Helped:	What Hurt:	The A2 Milk Company	14.42%	Aristocrat Leisure	8.45%
Aristocrat Leisure	Metlifecare	Contact Energy	12.29%	EROAD	5.66%
Contact Energy	Viva Energy Group	Z Energy	9.69%	Spark NZ Ltd	4.04%
Infratil	Pacific Edge	Infratil	9.34%	Pushpay Holdings	3.80%
Absolute contribution – not relative to S&P/NZX50 Index		Metlifecare	9.25%	NZ Refining Company	2.26%
		Number of holdings	11		

Market Commentary

Equity markets continued their strong run, backing up the March quarter strength with another positive quarter. This is despite a more muted global growth outlook which has seen bond rates continue to drop along with continued trade tensions between the United States and China along with tension in the Middle East. On a year-to-date basis the US S&P 500 index is up 18.3%, the Euro Stoxx 50 index is up 16.5%, the ASX 200 index is up 20.3% and the MSCI world index is up 15.9%. Consistent with the global markets, New Zealand has performed strongly, up 6.8% in the quarter and 19.7% year-to-date as measured by the S&P/NZX 50 index. Over the quarter we also saw both the Reserve Bank of New Zealand and Reserve Bank of Australia cut their official cash rates by 25bps to 1.5% and 1.25% respectively.

Fund Commentary

The fund produced a strong absolute return of 6.8% for the quarter. The largest contributors were **Aristocrat Leisure (ALL)**, **Contact (CEN)** and **Infratil (IFT)**. ALL rose 26.7% (in AUD) after posting a strong half year earnings result. CEN rose 15.3% as investors continue to be attracted to its relatively high and defensive yield and scope for growth in dividends per share. IFT produced an 18.3% return as a capital raising to fund the acquisition of Vodafone NZ was well supported and this brought on a new spectrum of investors.

Key portfolio changes in the quarter included introducing **Spark (SPK)** and **Pushpay Holdings (PPH)** into the fund. The fund exited positions in Fletcher Building (FBU), Viva Energy (VEA), Orocobre (ORE), NextDC (NXT) and Pacific Edge (PEB).

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

Key Fund Facts

Distributions	Estimated annual fund charges (incl GST)	Strategy size
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund	\$113.9m
Retail fund: March and September	Retail: 1.15%, 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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