

Factsheet 31 July 2019

NIKKO AM CONCENTRATED EQUITY STRATEGY

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

Market Overview

- Equity markets continue to push higher on the back of low interest rates.
- In local currency, the United States S&P 500 index rose 1.3%, the Japanese Nikkei 225 index increased 1.2%, the FTSE 100 index added 2.2%, the ASX 200 index was up 2.9% and the MSCI World index ended the month up 0.9%.
- The S&P/NZX 50 index continues to perform well against our international peers, up 3.4% for the month and 23.9% year to date.
- Bond yields continued to fall globally with the NZ 10-year bond ending the month at 1.44% and the Australian 10-year bond at 1.19%.

Fund Highlights

- The fund performed strongly ending the month up 3.0%.
- Key contributors to performance were A2 Milk and Z Energy while Pushpay Holdings and Contact Energy detracted from performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.98%	7.21%	5.78%	13.59%	17.72%	14.41%
Benchmark ²	0.54%	1.61%	6.69%	6.76%	7.25%	7.43%
NZSE50 ³	3.41%	8.58%	22.92%	15.21%	17.43%	15.09%
Retail ⁴	2.87%	6.95%	5.15%	11.48%	15.03%	12.05%

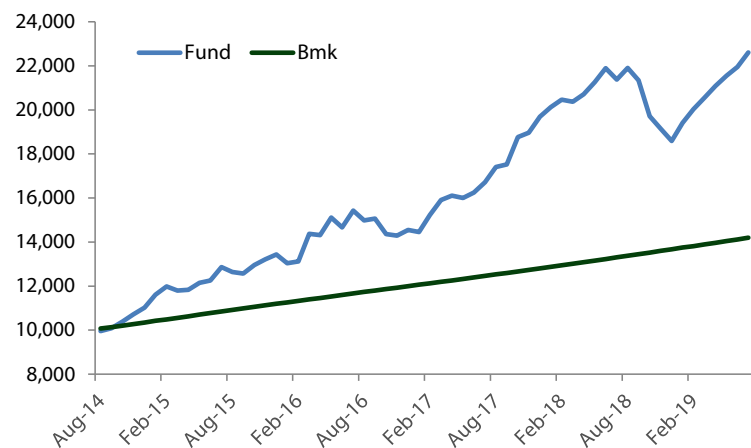
1. Returns are before tax and before the deduction of fees

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.



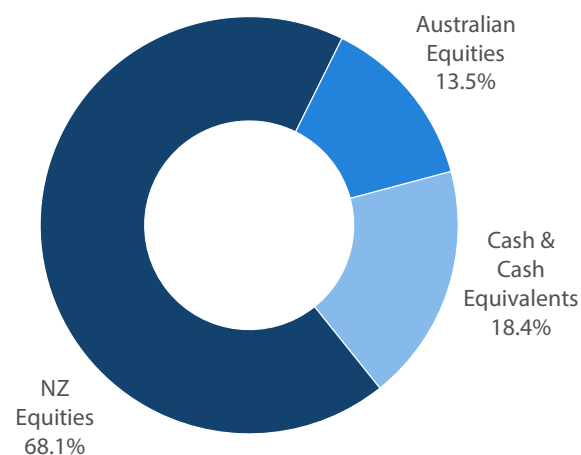
Overview

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 (month)	
What Helped:	What Hurt:
The A2 Milk Company	Pushpay Holdings
Z Energy	Contact Energy
EROAD	Sky Network Television
Absolute contribution – not relative to S&P/NZX50 Index	

Top 10 Holdings			
The A2 Milk Company	16.99%	Infratil	8.77%
Contact Energy	11.68%	EROAD	5.64%
Z Energy	9.72%	Orocobre Limited	3.91%
Aristocrat Leisure	9.60%	Pushpay Holdings	3.61%
Metlifecare	9.01%	NZ Refining Company	1.80%
Number of holdings			11

Market Commentary

Equity markets continue to be driven by the low interest rate environment rather than company earnings or the economic outlook. On the back of further reductions in bond rates equity markets pushed higher over the month. The United States S&P 500 index rose 1.3%, the Japanese Nikkei 225 index increased 1.2%, the FTSE 100 index added 2.2%, the ASX 200 index was up 2.9% and the MSCI World index ended the month up 0.9%. The S&P/NZX 50 index continues to perform well against our international peers, up 3.4% for the month and 23.9% calendar year-to-date.

Fund Commentary

The fund produced a strong absolute return of 3.0%. The largest contributor was **A2 Milk** (ATM). ATM rose 22.8% following several broker upgrades, expectations of a strong earnings result to be released in August and a positive clinical paper.

Contact Energy (CEN) fell back mildly during the month (-2.6%) following a strong rally for the year-to-date. **Pushpay Holdings** (PPH) fell 12.8% as the outgoing CEO sold a portion of his holding at a discounted price. The ex-CEO remains on the board and retains a meaningful holding.

Key portfolio changes were adding to ATM early in the month and then reducing at a higher price later in the month. **Aristocrat Leisure** was modestly up-weighted during the month while **Orocobre** (ORE) was re-introduced at an attractive price. The fund reduced its investment in **Infratil** (IFT), **Spark** (SPK) and **NZ Refining Company** (NZR) over the month and exited **Sky Network Television** (SKT) completely.

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 (incl GST)

Wholesale:	negotiated outside of fund
Retail:	1.15%, 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

\$116.7m

Strategy Launch

August 2006

Compliance

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

Contact Us

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