

Factsheet 31 August 2019

NIKKO AM CONCENTRATED EQUITY STRATEGY

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

Market Overview

- Global trade, growth, Hong Kong and Brexit concerns weighed on equity markets
- The United States S&P 500 index fell 1.8%, the Japanese Nikkei 225 index lost 3.8%, the FTSE 100 index dropped 5.0%, the ASX 200 index was down 2.4% and the MSCI World index ended the month down 2.0% in local currency.
- The S&P/NZX 50 index recorded its first down month for the year falling 0.9%

Fund Highlights

- The fund's performance was weak over the month returning -3.70%
- The key contributors to performance were Contact Energy and Sanford while the largest detractors were A2 Milk, Orocobre, PushPay Holdings, NZ Refining Company and EROAD.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-3.70%	1.01%	-0.57%	13.26%	16.95%	13.69%
Benchmark ²	0.51%	1.57%	6.64%	6.73%	7.21%	7.42%
NZSE50 ³	-0.85%	6.49%	16.66%	14.62%	16.98%	14.67%
Retail ⁴	-3.78%	0.72%	-1.45%	11.16%	14.30%	11.35%

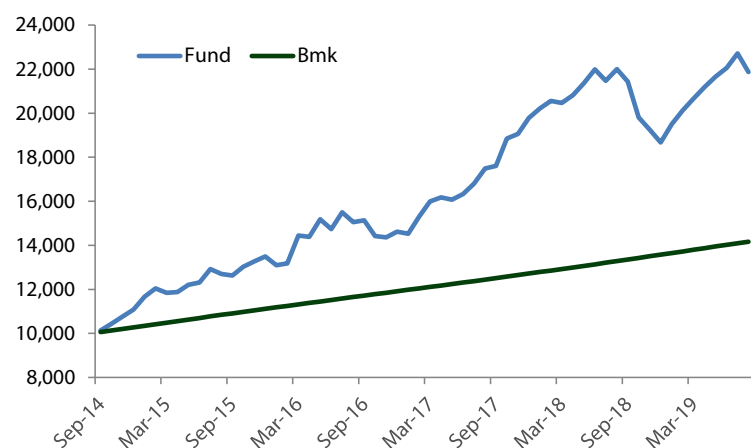
1. Returns are before tax and before the deduction of fees

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.



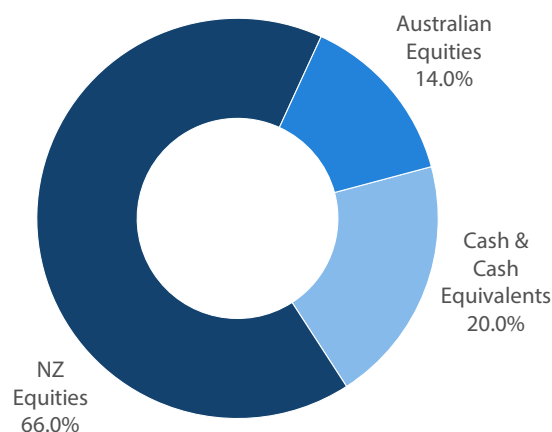
Overview

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:
Contact Energy	The A2 Milk Company
Sanford	Orocobre Limited
Spark	Pushpay Holdings
Absolute contribution – not relative to S&P/NZX50 Index	

Top 10 Holdings			
The A2 Milk Company	13.28%	Infratil	8.96%
Contact Energy	12.07%	EROAD	5.60%
Z Energy	9.94%	Orocobre Limited	3.60%
Metlifecare	9.37%	Pushpay Holdings	3.44%
Aristocrat Leisure	9.07%	NZ Refining Company	1.79%
Number of holdings			12

Market Commentary

Back and forward trade tariffs between China and the United States, concerns around global growth, Hong Kong and Brexit all weighed on equity markets. The United States S&P 500 index fell 1.8%, the Japanese Nikkei 225 index lost 3.8%, the FTSE 100 index dropped 5.0%, the ASX 200 index was down 2.4% and the MSCI World index ended the month down 2.0% in local currency. While the S&P/NZX 50 index outperformed most global indices it ended the month down 0.9%, its first down month for the year. Companies with June half or year ends reported results during the month which on balance were in line with or better than expected although outlook statements were cautious.

Fund Commentary

The fund performance was weak for the month falling -3.70%. Only Contact Energy and Sanford made positive contributions to performance. The largest positive contributor was **Contact Energy (CEN)** driven by a quality earning result and reaffirmation of dividend expectations to rise 11.3% over the month.

ATM had been very strong in July but this was erased in August as it lost 19.8% after reporting a strong result but forecasting margins would be slightly lower going forward. **PushPay Holdings (PPH)** continued its weak run from July without any news falling 9.0%.

Orocobre (ORE) fell 12.1% over the month notwithstanding a strong profit growth for the year. ORE was hurt by weaker pricing and volume guidance for FY20 albeit the company remains in an excellent cash position with industry leading metrics.

Key portfolio changes during the month were the reintroduction **NextDC (NXT)** and the introduction of **Sanford Limited (SAN)**. There were mild reductions in **A2 Milk (ATM)**, **Aristocrat Leisure (ALL)** and **Contact Energy** as price movements presented opportunities to take profits.

Key Fund Facts

Distributions

Wholesale fund: Calendar quarter
Retail fund: March and September

Estimated annual fund charges (incl GST)

Wholesale: negotiated outside of fund
Retail: 1.15%, refer PDS for more details

Strategy size

\$111.4m

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

Buy / Sell spread: 0.29% / 0.29%

Strategy Launch

August 2006

Performance fee

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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