

Factsheet 31 October 2019

NIKKO AM CONCENTRATED EQUITY STRATEGY

Assets are held in the Nikko AM Wholesale Concentrated Equity Fund. The Nikko AM Concentrated Equity Fund (retail) invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- Global macro and trade concerns as well as domestic news and stock placements pushed stocks around over October.
- The United States S&P 500 index ended the month +2.5%, the Japanese Nikkei 225 index +5.4% while the UK FTSE 100 index fell -2.2%, Australian ASX 200 index fell 0.35% and MSCI World index +2.3% all in local terms.
- In NZ, the S&P/NZX 50 index fell 1.21% for the month and is now up 23.45% for the year to date.

Fund Highlights

- The fund ended the month down 1.07% but ahead of the equity index
- Two large index positions not held in the Fund pushed the NZX50 higher being F&P Healthcare which rose 10.7% on an upgrade in earnings and Auckland Airport +3.4%
- Positions in Contact Energy (CEN) and Z Energy (ZEL) detracted value while Metlifecare (MET) and EROAD (ERD) added value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-1.07%	-4.77%	9.22%	14.47%	15.68%	13.25%
Benchmark ²	0.50%	1.49%	6.51%	6.67%	7.13%	7.39%
NZSE50 ³	-1.21%	-0.29%	24.43%	17.00%	16.24%	14.28%
Retail ⁴	-1.16%	-5.02%	8.13%	12.43%	13.15%	10.92%

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 covering Australasian share markets in funds management and share broking.



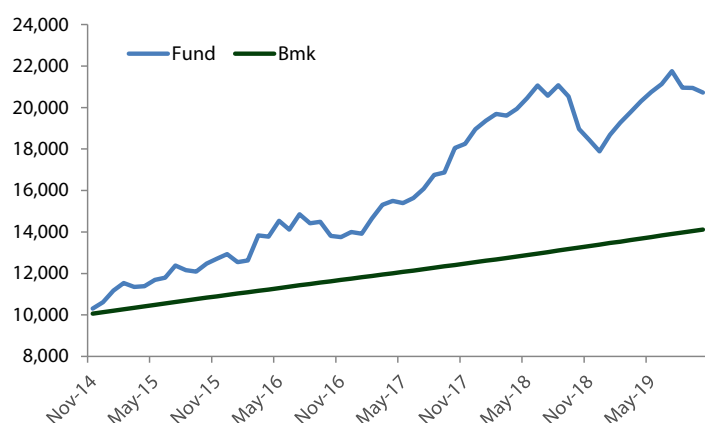
Overview

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.

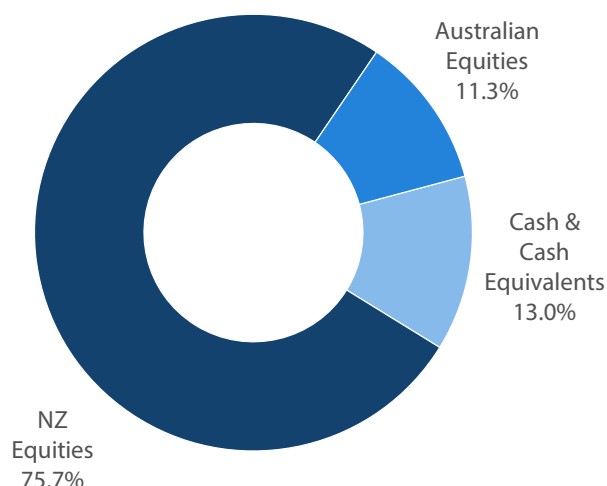
Objective

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

Five year cumulative performance, \$10,000 invested ^{1,2}



Asset Allocation



Contribution to Performance (month)	
What Helped:	What Hurt:
Metlifecare	Contact Energy
EROAD	A2 Milk Company
Aristocrat Leisure	Z Energy
Absolute contribution – not relative to S&P/NZX50 Index	

Top 10 Holdings			
The A2 Milk Company	15.67%	Aristocrat Leisure	7.87%
Infratil	14.42%	EROAD	5.73%
Contact Energy	11.98%	Pushpay Holdings	4.13%
Metlifecare	10.73%	Orocobre Limited	2.62%
Z Energy	9.44%	Sanford Ltd	1.72%
Number of holdings			14

Market Commentary

Equity markets were mixed over October with low interest rates and outweighing trade risks China and the United States, concerns around global growth, Hong Kong and Brexit all having an impact. The United States S&P 500 index rose 2.5%, the Japanese Nikkei 225 index increased 5.4% while the FTSE 100 index fell 2.2%, the ASX 200 index was fell 0.4% and the MSCI World index ended the month up 2.3%. The S&P/NZX 50 index has performed well against our international peers' year-to-date at 23.45%. The NZD appreciated 2.33% against the USD and 0.25% against the AUD over October.

Fund Commentary

The fund outperformed the market over the month but in absolute terms fell 1.07%. Key portfolio changes over the month included reducing **Contact Energy** (CEN) and **Aristocrat Leisure** (ALL). Two new stocks were added to the fund being online business-travel booking company **Serko** (SKO) and **Kiwi Property Group** (KPG), both on company placements. During the period NZ Refining (NZR) was sold from the fund. The largest positive contributor to returns was **Metlifecare** (MET) which bounced 8.1% after announcing a buyback which Nikko had pushed the company to do. In other areas **EROAD** (ERD) +8.4%, **ALL** +3.2%, **Sanford** (SAN) +4.4%, **Serko** +16.1%, and **NEXTDC** +3.5% added value. CEN pulled back from its strong year-to-date run as Rio Tinto announced plans to review its Tiwai aluminium smelter operations. The stock fell 13.6% over October. The largest negative contributors to return were positions in Contact Energy and **Z Energy** (ZEL) which lost 4.3% after downgrading its earnings guidance due to increasing retail competition and margin pressure.

(**Bold** denotes stocks held in the portfolio)

Key Fund Facts

Distributions	Estimated annual fund charges (incl GST)	Strategy size
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund	\$107.8m
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 10% on gains above benchmark over 12 month period after fees and expenses. High water mark applies.	August 2006

Compliance

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

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