

# 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

- Equity markets struggled with direction with US earnings results generally positive but global concerns around coronavirus pulling the other way.
- The United States S&P 500 index lost 0.2%, the Japanese Nikkei 225 index fell 1.9%, the UK FTSE 100 index lost 3.4%, the Australian ASX 200 index was up 5.0% and the MSCI World index ended the month down 0.6%.
- The S&P/NZX 50 index gained 2.0% although was closed before the last day sell off of international markets.
- Bond yields fell in response to coronavirus concerns with the NZ Government 10-year bond ending the month at 1.3%, the Australian 10-year bond at 0.95% and US 10-year bond at 1.51%.

## Fund Highlights

- The fund ended the month up 4.0%.
- Key positions that performed included Infratil, Pushpay, Spark, Contact Energy and Aristocrat Leisure.
- Ebos Group, Sanford and A2 Milk performed poorly over the month.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	4.03%	12.30%	24.57%	18.70%	15.81%	14.19%
Benchmark <sup>2</sup>	0.50%	1.48%	6.32%	6.61%	7.00%	7.36%
S&P/NZX 50 <sup>3</sup>	1.97%	8.73%	31.62%	19.74%	16.66%	15.40%
Retail <sup>4</sup>	3.43%	11.20%	22.41%	16.30%	13.30%	11.80%

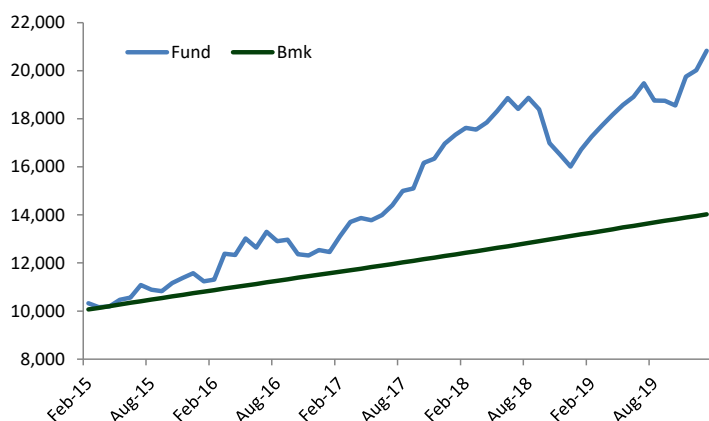
1. Returns are before tax and before the deduction of fees.

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 <sup>1,2</sup>



## Portfolio Manager

**Stuart Williams,**  
**Head of Equities, CA**



Stuart joined Nikko AM in 2014, he is responsible for the Domestic Equities team and covers the Industrials, Healthcare and Financials sectors. Stuart has over 20 years' experience across the industry with a track record in portfolio management of both benchmark relative and high conviction funds.

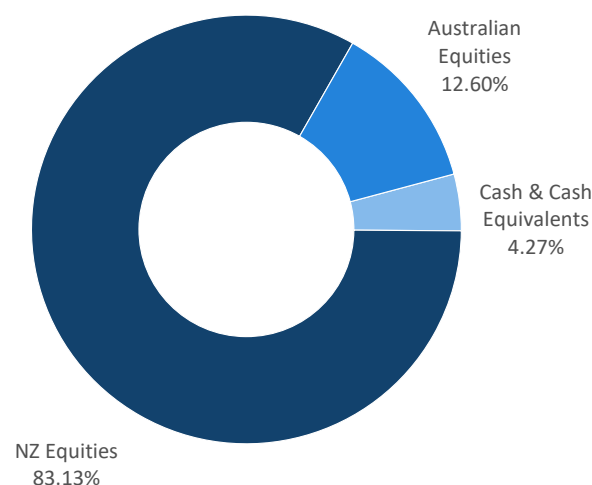
## Overview

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 circa 15.

## 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:
Infratil	EBOS
Pushpay Holdings	Sanford
Spark NZ	The A2 Milk Company

Absolute contribution – not relative to S&P/NZX50 Index

Top 10 Holdings			
Infratil	13.28%	Spark NZ	8.04%
Contact Energy	12.36%	Pushpay Holdings	5.89%
The A2 Milk Company	11.48%	Z Energy	4.76%
Metlifecare	10.79%	EBOS	4.20%
Aristocrat Leisure	8.66%	Summerset	4.10%
<b>Number of holdings</b>			<b>16</b>

## Market Commentary

Equity markets struggled with direction with US earnings results generally positive but global concerns around Coronavirus pulling the other way. The United Kingdom’s exit from the European Union also became official as of the end of January. The United States S&P 500 index lost 0.2%, the Japanese Nikkei 225 index fell 1.9%, the UK FTSE 100 index lost 3.4%, the Australian ASX 200 index was up 5.0% and the MSCI World index ended the month down 0.6%. While the New Zealand market was up for the month, it was insulated from the last day sell off of offshore markets which occurred after the New Zealand market had closed. Retirement and aged care provider Oceania Healthcare saw a large parcel of shares traded as an existing shareholder sold down their stake worth more than \$300 million.

## Fund Commentary

The fund performed strongly over the month, returning 4.0%. **Infratil** (IFT) rose 7.5% as it benefited from a large revaluation of its Canberra Data Centre investment. **Spark** (SPK) rose 7.6% in January as it recovered from a weak share price in December. **PushPay Holdings** (PPH) performed well (+12.0%) post their announcement of a recent acquisition (Church Community Builder). **Aristocrat Leisure** (ALL) rose 6.8% for the month supported by mobile based social casino and social gaming stats for the industry. **A2 Milk** (ATM) was flat versus a strong market as the market digested implications of the coronavirus. The virus was also a factor for the fall in **Sanford** (SAN) and surprisingly, **Ebos Group** (EBO) traded down -1.65% over the month.

Key portfolio changes in the month included adding **Summerset** (SUM) following a reduction of Metlifecare (MET). (**Bold** denotes stocks held in the portfolio)

## Key Fund Facts

<b>Distributions</b>	<b>Estimated annual fund charges (incl. GST)</b>	<b>Strategy size</b>
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund	\$108.1m
Retail fund: March and September	Retail: 1.15%, refer PDS for more details	
<b>Hedging</b>	<b>Buy / Sell spread: 0.29% / 0.29%</b>	<b>Strategy Launch</b>
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.	<b>Performance fee</b>	August 2006
	10% on gains above benchmark over 12 month period after fees and expenses. High water mark applies.	

## Compliance

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

## Contact Us

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