

Factsheet 29 February 2020

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

- COVID-19 fears saw equity markets sell off sharply and bond yields rally around the globe.
- The United States S&P 500 index lost 8.4%, the Japanese Nikkei 225 index fell 8.9%, the UK FTSE 100 index lost 9.7%, while the Australian ASX 200 index fell 7.7% and the MSCI World index ended the month down 8.2% in local terms.
- The S&P/NZX 50 index fell 3.9% to materially outperform our international peers.
- Bond yields fell in response to coronavirus concerns with the NZ 10-year bond ending the month at 1.05%, the Australian 10-year bond at 0.82% and US 10-year bond at 1.15%.

Fund Highlights

- The fund ended the month -4.3%.
- Key positions that performed included A2 Milk, NextDC and Metlifecare.
- Contact Energy, Aristocrat Leisure, Infratil, Summerset, Pushpay and Z Energy 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 ¹	-4.30%	0.93%	15.52%	14.98%	14.06%	13.63%
Benchmark ²	0.46%	1.46%	6.28%	6.59%	6.97%	7.35%
S&P/NZX 50 ³	-3.86%	-0.40%	21.90%	17.51%	15.21%	14.98%
Retail ⁴	-4.06%	0.59%	13.92%	12.79%	11.70%	11.30%

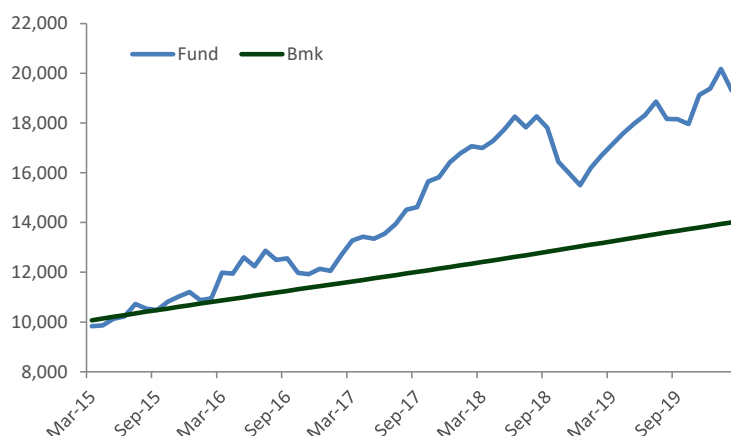
1. Returns are before tax and before the deduction of fees.

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

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.



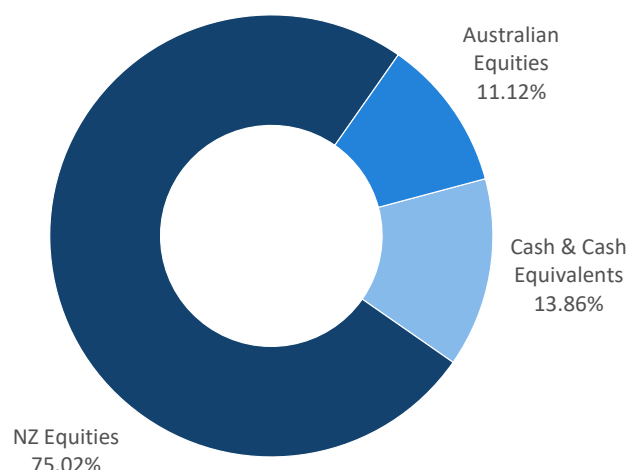
Overview

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:
The A2 Milk Company	Contact Energy
NextDC	Aristocrat Leisure
Metlifecare	Infratil
Absolute contribution – not relative to S&P/NZX50 Index	

Top 10 Holdings			
The A2 Milk Company	12.16%	Metlifecare	5.83%
Infratil	12.10%	Summerset Group	4.86%
Contact Energy	11.63%	Z Energy	4.56%
Spark NZ	8.23%	EBOS	4.31%
Aristocrat Leisure	7.35%	Pushpay Holdings	3.77%
Number of holdings			15

Market Commentary

Global concerns around Coronavirus overwhelmed all other news from investment markets. The spread of the virus and the gathering momentum in deaths which inevitably followed, caused countries around the world to announce policy aimed to control the virus' spread. Trade developments, Brexit implications, supportive economic statistics (historical numbers) and generally positive earnings season announcements all took a back seat to COVID-19. The defensive characteristics of the New Zealand market somewhat insulated us from larger markets falls. The negative economic growth implications are now being digested by investment markets, central banks and governments, with initial policy responses emerging.

Fund Commentary

The fund performed poorly over the month, returning -4.3%. **A2 Milk** (ATM) performed strongly (rallying 8.7%) on their earnings announcement and positive commentary about ongoing China demand plus their ability to deliver product. **Contact Energy** (CEN), **Aristocrat Leisure** (ALL) and **Infratil** (IFT) all fell on the risk off coronavirus trade primarily. CEN and IFT to a lesser extent were impacted by negative sentiment regarding the potential Tiwai smelter withdrawal.

While **Summerset Group** (SUM) reported an earnings result slightly ahead of market expectations, its outlook for 2020 was lower than the market was looking for and fell 12.3%. We remain very comfortable with the company's long term growth outlook.

Key portfolio changes in the month were the material reduction in the **Metlifecare** (MET) position and the exit of a small holding in Serko (SKO).

(**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	\$102.9m
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 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.

Contact Us

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