

Factsheet 31 March 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

- The global response to COVID-19 saw equity markets sell off sharply and bond yields rally around the globe.
- Over the quarter the US S&P 500 index lost 20.0%, the Japanese Nikkei 225 index fell 20.0%, the UK FTSE 100 index lost 24.8%, while the Australian ASX 200 index fell 23.4% and the MSCI World index ended the quarter down 19.5% (in local currency).
- The S&P/NZX 50 index fell 14.6% although the spread between large capitalisation stocks (top 10) and small capitalisation stocks was large with large cap stocks down 7.5% vs small caps down 34.0%.

Fund Highlights

- The fund ended the quarter -12.50%.
- Key positions that out performed included A2 Milk, NextDC and Metlifecare.
- Infratil, Summerset, Contact Energy, Aristocrat Leisure, Z Energy, Eroad and Kiwi Income Property 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	-12.10%	-12.50%	-1.09%	8.53%	11.52%	11.61%
Benchmark ²	0.47%	1.43%	6.19%	6.56%	6.92%	7.33%
S&P/NZX 50 ³	-12.83%	-14.55%	0.36%	11.95%	12.17%	12.98%
Retail ⁴	-11.75%	-12.43%	-1.99%	6.70%	9.29%	9.41%

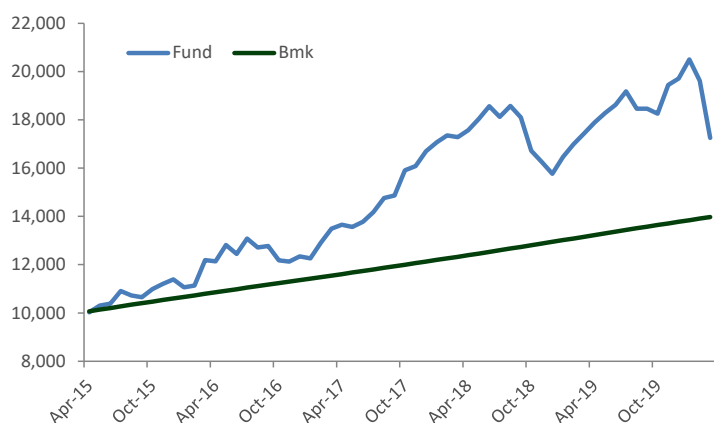
1. Returns are before tax and before the deduction of fees.

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.

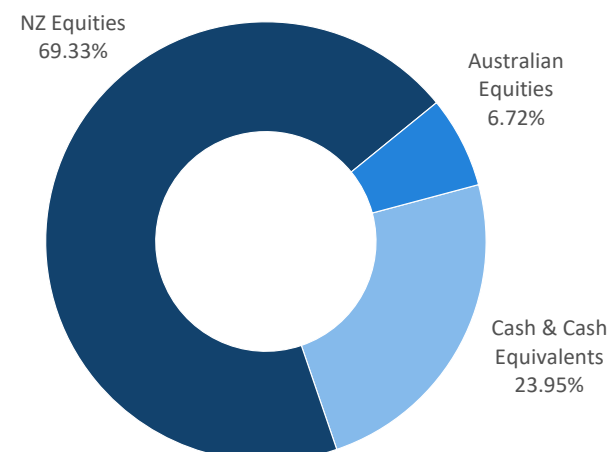
Overview

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 (quarter)	
What Helped:	What Hurt:
The A2 Milk Company	Infratil
NextDC	Summerset Group
Metlifecare	Contact Energy

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

Top 10 Holdings			
The A2 Milk Company	13.77%	Summerset Group	4.77%
Contact Energy	11.56%	Z Energy	3.76%
Infratil	10.65%	Pushpay Holdings	3.66%
Spark NZ	9.80%	Aristocrat Leisure	2.94%
EBOS	4.78%	EROAD	2.80%
Number of holdings			14

Market Commentary

Global concerns around COVID-19 overwhelmed all other news from investment markets. As the virus spread across the globe and the gathering momentum in deaths which inevitably followed caused countries around the world to announce policy aimed at controlling the virus' spread. Countries forced citizens to stay at home and isolate and businesses to close resulting in a massive economic fallout which has been reflected in financial markets. The monetary and fiscal response from governments and central banks has been enormous but only time to tell how long the business closures will last, how fast the recovery will be and what shape those businesses that survive will be in.

Fund Commentary

The fund performed poorly over the quarter, returning -12.5%. **A2 Milk** (ATM) performed strongly (rallying 14.3%) on their earnings announcement and the positive commentary about ongoing China demand plus their ability to deliver product. **NextDC** also rallied strongly (+34.3%) given strong demand for defensive earnings and business models. **Summerset Group** (SUM), **Contact Energy** (CEN), **Aristocrat Leisure** (ALL), **Infratil** (IFT) and **Z Energy** (ZEL), all fell on the risk-off coronavirus trade primarily. CEN and IFT to a lesser extent, were impacted by sentiment the potential Tiwai smelter withdrawal.

While **Summerset Group** (SUM) had reported an earnings result slightly ahead of market expectations, its outlook for 2020 was lower than the market expected (in addition to COVID-19 concerns) and fell 35.7%. We remain very comfortable with the company's long term growth outlook.

Key portfolio changes in the quarter was the complete exit of the Metlifecare (MET) position which started the quarter as a 15.4% weight and the exit of a small holding in Serko (SKO). The weight in **Aristocrat Leisure** (ALL) was also materially reduced to ~3%. The proceeds of the MET sale were held in cash primarily and an investment into **Summerset Group** (SUM) was introduced (4%).

(**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	\$88.97m
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	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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