

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 continued to recover some of the losses incurred in March with May backing up April's strong performance as investors weighed health and economic impacts of COVID-19.
- The United States S&P 500 index rose 4.5%, the Japanese Nikkei 225 index was up 8.3%, the UK FTSE 100 index gained 3.0%, the Australian ASX 200 index increased 4.4% and the MSCI World index ended the month up 4.5%.
- The S&P/NZX 50 index rose 3.3%.

Fund Highlights

- The fund ended the month up 2.95%.
- Positions in Pushpay Holdings, Ingenia Communities and NextDC added value.
- Positions in Eroad, Z Energy, A2 Milk and Sandford detracted from value.
- The fund participated in the capital raising of Z Energy.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.95%	0.24%	7.60%	13.18%	13.81%	13.68%
Benchmark ²	0.44%	1.33%	5.95%	6.48%	6.81%	7.29%
S&P/NZX 50 ³	3.33%	-3.16%	8.40%	14.75%	14.50%	14.91%
Retail ⁴	2.71%	0.29%	6.39%	11.17%	11.57%	11.34%

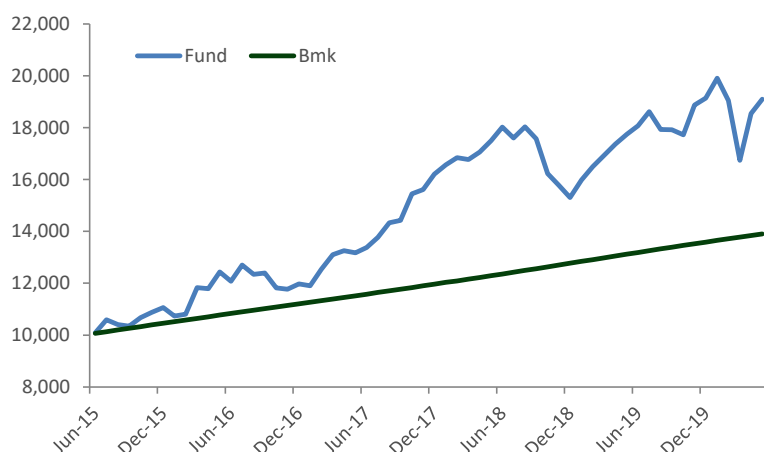
1. Returns are before tax and before the deduction of fees.

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.

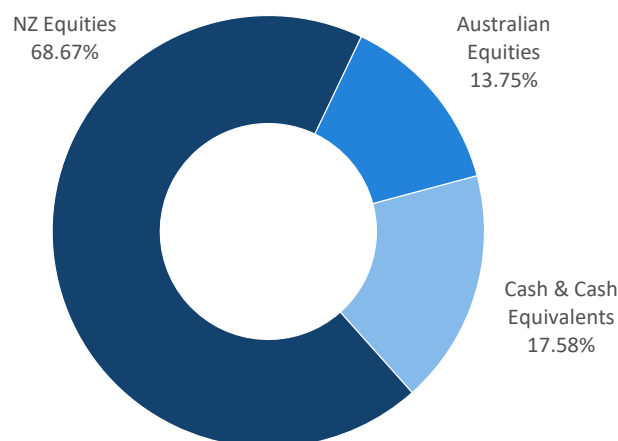
Overview

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:
Pushpay Holdings	Eroad
Ingenia Communities	The A2 Milk Company
NextDC	Z Energy

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

Top 10 Holdings			
The A2 Milk Company	13.42%	Aristocrat Leisure	5.54%
Infratil	10.13%	Summerset Group	4.63%
Contact Energy	9.67%	Ingenia Communities	4.34%
Spark NZ	9.35%	EBOS	4.23%
Pushpay Holdings	6.07%	Z Energy	4.21%
Number of holdings			15

Market Commentary

Equity markets continued to recover some of the losses incurred in March with May backing up April’s strong performance as investors weighed health and economic impacts of COVID-19. The monetary and fiscal response from governments and central banks continued to evolve and expand to counter the forced closure of businesses. The New Zealand government announced a large fiscal package to help stimulate the economy in response to COVID-19 impacts as part of its budget. Companies, both domestically and abroad, continued to raise equity and cancel or reduce dividends as earnings were impacted from the reduced economic activity. New Zealand continues to become less restricted as virus cases have reduced.

Fund Commentary

The fund ended the month up 2.95%. The largest positive contributors to relative return were overweight positions in **Pushpay Holdings** (PPH), **Ingenia Communities** (INA) and **NextDC** (NXT). PPH rose 77.3% after announcing a good earnings result but more importantly a strong outlook for the year ahead. INA provided a positive earnings update and announced two further acquisitions. NextDC (NXT) performed well having announced the pull forward of capital commitments and new customer contracts. **Eroad** (ERD) fell on concerns relating to the business environment under Covid-19. **Z Energy** (ZEL) fell 9.0% having raised \$350 million early in the month to support its balance sheet following a large reduction in revenue due to people being forced to stay at home during April. ATM fell over the month without any stock specific news but perhaps hurt by USA China / Australia China tensions.

Key portfolio changes during the month included introducing INA as a new position and increasing the position in ZEL. Investments in ATM and **Contact Energy** (CEN) were modestly reduced over the month. Cash holdings totalled 17.6% at the end of the month.

(**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	\$100.9m
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	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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