

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 bounced back strongly in the June quarter and recovered the losses incurred in March as investors weighed health and economic impacts of COVID-19.
- The United States S&P 500 index rose 20.0%, the Japanese Nikkei 225 index was up 17.8%, the UK FTSE 100 index gained 8.8%, the Australian ASX 200 index increased 16.5% and the MSCI World index ended the month up 17.9%.
- The S&P/NZX 50 index performed roughly in line with other markets, up 16.9% for the quarter.

Fund Highlights

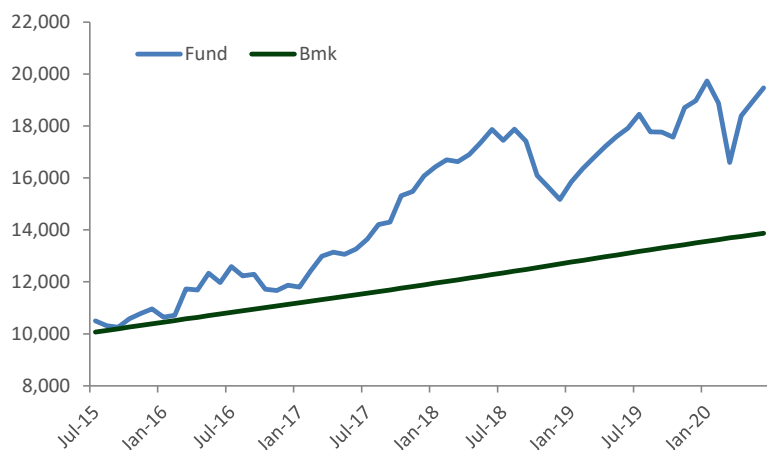
- The fund ended the quarter up 17.2%.
- Positions in Pushpay Holdings, Infracore, A2 Milk and Eroad, all added value.
- Positions in Sky City Entertainment, Z Energy, Ebos and Sanford detracted from value.
- The fund participated in the Auckland International Airport (AIA), ZEL, SKC and Sky Network Television (SKT) and Infracore (IFT) in the capital raisings.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.83%	17.26%	8.62%	13.65%	14.25%	14.41%
Benchmark ²	0.42%	1.28%	5.85%	6.44%	6.76%	7.27%
S&P/NZX 50 ³	5.26%	16.93%	9.85%	15.70%	16.10%	15.83%
Retail ⁴	2.66%	16.67%	7.33%	11.65%	12.00%	12.04%

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.

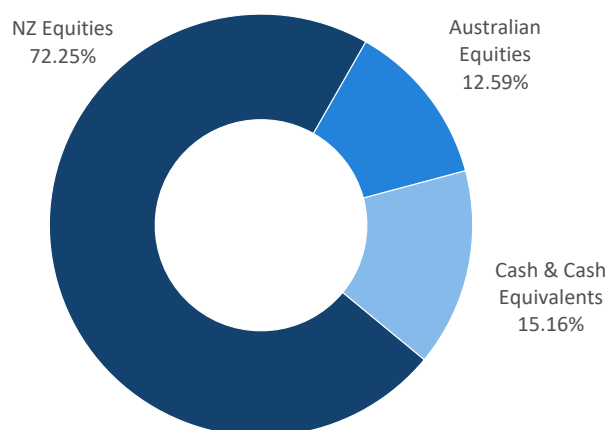
Overview

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:
Pushpay Holdings	Sky City Entertainment
Infratil	Z Energy
The A2 Milk Company	EBOS

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

Top 10 Holdings			
The A2 Milk Company	12.94%	EBOS	4.98%
Spark NZ	9.58%	Summerset Group	4.97%
Contact Energy	8.85%	Z Energy	4.72%
Infratil	8.76%	Sky City Entertainment	4.46%
Aristocrat Leisure	4.98%	Ingenia Communities	4.06%
Number of holdings			16

Market Commentary

Equity markets around the globe had a strong June quarter and recovered a lot of the losses incurred in March 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 ended the quarter with effectively no restrictions other than international travel as community transmission of COVID-19 was eliminated and with the increased economic activity comes more certainty for a number of companies and economic activity. New Zealand continues to become less restricted as virus cases have reduced.

Fund Commentary

The fund ended the quarter up 17.2%. The largest positive contributor return was **Pushpay Holdings** (PPH). PPH rose 159.3% after announcing a good earnings result but more importantly a strong outlook for the year ahead. **Infratil** (IFT) bounced back strongly over the quarter in spite of raising equity but having reported a reasonable result for the financial year. **A2 Milk** (ATM) rose ~17.5% over the quarter ahead of another strong expected result for FY20. The fund’s position in **EROAD** (ERD) performed strongly gaining 61.5% over the quarter following as strong full year result announcement.

The largest negative contributors to return were positions in **Z Energy** (ZEL) and positions in **Sky City Entertainment** (SKC). ZEL, down 4.3%, following their capital raising in May of \$350 million. SKC, raised \$230 million to strengthen its balance sheet. ZEL is expected to benefit from the internal travel fuel demand given New Zealand’s borders remain closed. SKC benefited from the removal of restrictions on movement allowing customers back into the casino and related properties, to support the raising.

Key portfolio changes during the month included introducing **Ingenia Communities** (INA) as a new position. SKC and Auckland International Airport (AIA) were added during their respective capital raises. The positions in ZEL and **Aristocrat Leisure** (ALL) were increased during the quarter, ZEL via the capital raising. **Metlifecare** (MET) was re-introduced into the fund following a period of price weakness and reassessment. Investments in ATM, **Pushpay Holdings** (PPH) and **Contact Energy** (CEN) were modestly reduced over the quarter. Cash holdings totalled 14.8% at the end of June.

(**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	\$111.17m
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

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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