

Factsheet 31 July 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

- Equity markets continued to recover from the hit they took in March with several, including New Zealand now in positive territory year to date.
- The United States S&P 500 index rose 5.5%, the Japanese Nikkei 225 index was down 2.6%, the UK FTSE 100 index lost 4.4%, the Australian ASX 200 index increased 0.5% and the MSCI World index ended the month up 4.0%.
- The S&P/NZX 50 index performed well, ending the month up 2.5%.

Fund Highlights

- The fund ended the month up 4.2%
- Positions in Orocobre (ORE), Summerset (SUM), NextDC (NXT) and Metlifecare (MET), all performed strongly.
- Pushpay (PPH), Contact Energy (CEN) and WayPoint REIT (WPR) fell over the month.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	4.18%	10.29%	9.89%	14.12%	14.08%	14.62%
Benchmark ²	0.44%	1.30%	5.74%	6.39%	6.71%	7.25%
S&P/NZX 50 ³	2.45%	11.43%	8.84%	16.21%	15.89%	15.87%
Retail ⁴	3.64%	9.28%	8.13%	12.05%	11.80%	12.19%

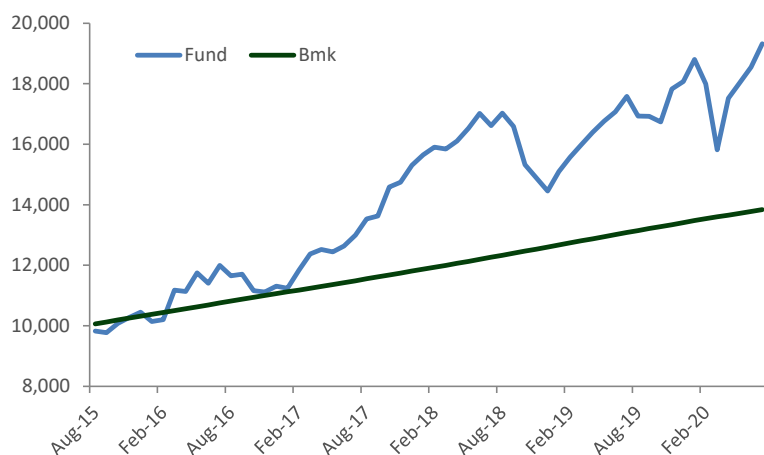
1. Returns are before tax and before the deduction of fees.

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



Responsible for the Domestic Equities team and managing the Core Fund and associated mandates. Covers the Industrials, Healthcare and Financials sectors. Twenty years of experience in all aspects of the investment management industry with a strong track record in portfolio management of both benchmark relative and high conviction funds. Joined 2014.

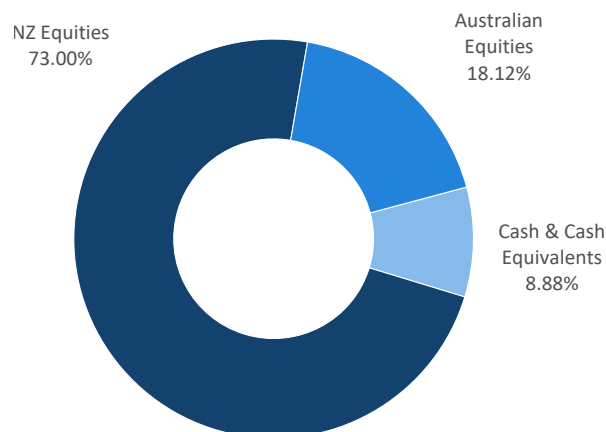
Overview

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:
Summerset Group	Contact Energy
Spark NZ	Pushpay Holdings
Orocobre	Waypoint Reit

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

Top 10 Holdings			
The A2 Milk Company	12.75%	Summerset Group	5.76%
Spark NZ	9.88%	EBOS	4.79%
Infratil	8.36%	Z Energy	4.70%
Contact Energy	7.88%	Metlifecare	4.59%
Aristocrat Leisure	6.48%	Sky City Entertainment	4.43%
Number of holdings			17

Market Commentary

Equity markets continued to recover from the hit they took in March with several, including New Zealand now in positive territory year to date. Markets in general seem to be looking through the economic impact from COVID-19 with low interest rates leading investors to look for higher returns in equity markets. A number of companies will be reporting their results for the period ending June during August which will provide some insight into recent trading and their confidence in the near term outlook. During July the New Zealand electricity sector was surprised by the New Zealand Aluminium Smelter announcing they would close in August 2021, the shortest notice period they are allowed. Looking forward, investors will start to focus on upcoming elections, both in New Zealand and the United States and policies being announced that might impact on sectors and stocks and opinion polls as to who is likely to be governing later in the year.

Fund Commentary

The fund ended the month up 4.2%. The largest positive contributor to returns was **Orocobre (ORE)**. ORE rose despite a weak quarterly production and sales update. **Summerset Group (SUM)** rose 21.5% over the month after announcing good sales numbers for the June quarter and investors became more optimistic around the outlook for house prices. **NextDC (NXT)** rallied 16% over the month buoyed by the announcement of another new contract win in NSW. **Metlifecare (MET)** rallied 15% as the board of directors weakly supported a takeover bid for the company at \$6.00 per share (a reasonable premium to the price at the time of the announcement).

The largest negative contributors to return were positions in **PushPay Holdings (PPH)**, falling back following their recent excellent run, and **Contact Energy (CEN)** which fell on concerns relating to the Tiwai smelter announcements.

Key portfolio changes during the month were muted. A holding in **Waypoint REIT (WPR)** was introduced to coincide with the sell down in the name by an existing shareholder. WPR (formerly Viva Energy REIT) own a network of 474 service stations / convenience retail properties in Australia delivering an attractive yield of 4.35% after tax together with contracted annual rent increases of 3%.

(**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	\$116.5m
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

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult an Authorised Financial Adviser and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the retail and KiwiSaver funds, please refer to the relevant Product Disclosure Statement on nikkoam.co.nz.