

Factsheet 31 August 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

- Supported by low interest rates, equity markets globally had a strong performance during the month and somewhat ignored the health and economic impacts from COVID-19.
- The United States S&P 500 index rose 7.0%, the Japanese Nikkei 225 index was up 6.6%, the UK FTSE 100 index added 1.1%, the Australian ASX 200 index increased 2.8% and the MSCI World index ended the month up 6.1%.
- The S&P/NZX 50 index was a relative underperformer versus the world albeit ended the month up 1.8%.

Fund Highlights

- The fund ended the month up 2.2%.
- Positions in Contact Energy, EROAD, Summerset and Aristocrat Leisure all contributed positively to the fund.
- Positions in A2 Milk, Sanford, Z Energy and Spark detracted from value.

Performance

| | One month | Three months | One year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|-------------------------|-----------|--------------|----------|-------------------|------------------|-----------------|
| Wholesale ¹ | 2.23% | 9.52% | 16.66% | 13.43% | 14.98% | 15.06% |
| Benchmark ² | 0.44% | 1.30% | 5.67% | 6.35% | 6.66% | 7.23% |
| S&P/NZX 50 ³ | 1.82% | 9.81% | 11.77% | 16.27% | 17.37% | 16.07% |
| Retail ⁴ | 1.99% | 8.51% | 14.61% | 11.53% | 12.68% | 12.61% |

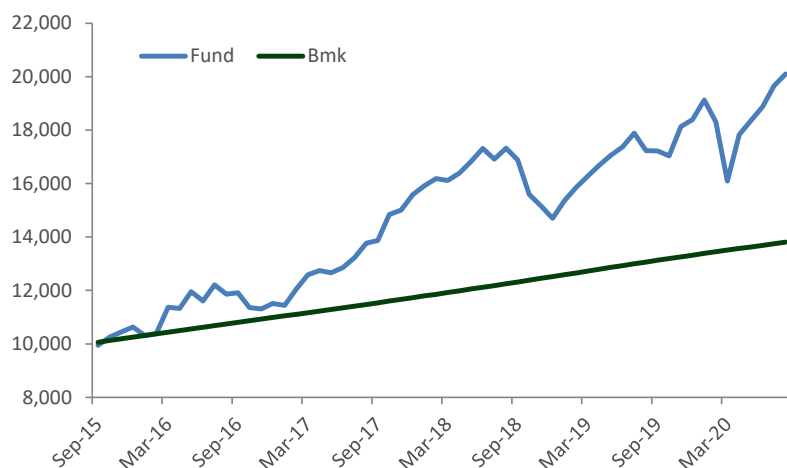
1. Returns are before tax and before the deduction of fees.

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.

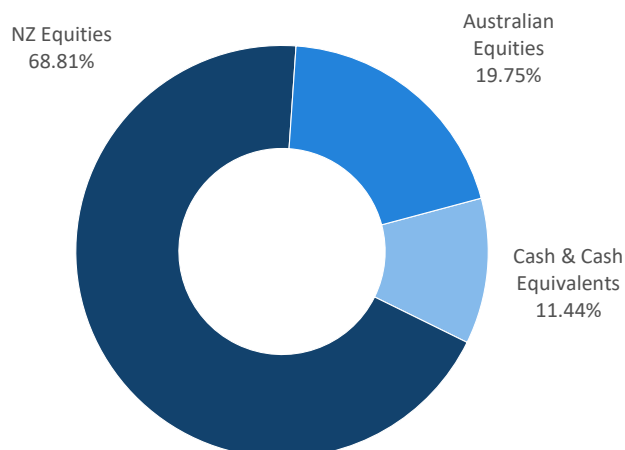
Overview

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: |
| Contact Energy | The A2 Milk Company |
| EROAD | Sanford |
| Summerset Group | Z Energy |

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

| Top 10 Holdings | | | |
|---------------------------|--------|---------------|-----------|
| The A2 Milk Company | 12.12% | Aristocrat | 5.64% |
| Spark NZ | 10.11% | EBOS Group | 4.94% |
| Infratil | 8.34% | Waypoint Reit | 4.72% |
| Contact Energy | 8.20% | EROAD | 4.36% |
| Summerset Group | 6.17% | Z Energy | 4.36% |
| Number of holdings | | | 16 |

Market Commentary

Supported by low interest rates, equity markets globally had a strong performance during the month and somewhat ignored the health and economic impacts from COVID-19. A number of companies reported their earnings results for the period ended June during the month. As expected, results were heavily impacted by the lockdown earlier in the year while outlook statements were very uncertain, more so as the country went back into lockdown during the month. As a result of the new lockdown the New Zealand election has been postponed from September to October.

Fund Commentary

The fund ended the month up 2.2%. The largest positive contributors were overweight positions in **Contact Energy (CEN)**, **EROAD (ERD)** and **Summerset Group (SUM)**. CEN recovered from its loss in July, rising 11.9% in August as the market digested the potential that the NZ Aluminium Smelter may push out its closure date. SUM rose 11.0% as it delivered a stronger than guided and expected earnings result while ERD rose 23.2% following a supportive research report from a broker. **Aristocrat Leisure (ALL)** and **Pushpay Holdings (PPH)** also performed strongly.

The largest negative contributors came from **A2 Milk (ATM)**, **Sanford (SAN)** and **Z Energy (ZEL)**. Despite reporting strong earnings growth, ATM's result was a touch lower than market expectations and was also impacted by an MSCI index down weight at the end of the month. ATM fell 10.8% over the month. ZEL, down 4.6%, reported strong operating data but the stock was impacted by New Zealand moving back into COVID-19 related restrictions. SAN fell 11% over the month after announcing a pending market update and a plant closure. SAN continues to be impacted by COVID-19 restricts in relation to their food service demand.

Key portfolio changes during the month included adding to positions in ATM, **Next DC (NXT)** and **Waypoint REIT (WPR)**. Relatively small reductions were made to **Orocobre (ORE)**, and **Aristocrat Leisure (ALL)**. The fund's holding in Metlifecare (MET) was divested. (**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 | \$119.8m |
| 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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