

Factsheet 30 September 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, most equity markets globally performed well during the quarter and somewhat ignored the health and economic impacts from COVID-19.
- Over the quarter, the United States S&P 500 index rose 8.5%, the Japanese Nikkei 225 index was up 4.0% while the UK FTSE 100 index and the Australian ASX 200 index fell 4.9% and 0.4% respectively. The MSCI World index ended up 6.5%
- The S&P/NZX 50 index ended the quarter up 2.9% and is up 2.8% on a calendar year to date basis.

Fund Highlights

- The fund ended the quarter pleasingly - gaining 6.8%.
- News flow was high during the quarter with a number of the fund's holdings reporting earnings for the period ended June.
- The fund participated in the equity raising by EROAD
- Positions in Summerset, NextDC, EROAD, Aristocrat Leisure and SkyCity Entertainment all added value. Conversely our positions in A2 Milk and Sanford both detracted value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	0.29%	6.81%	17.05%	13.28%	15.18%	14.53%
Benchmark ²	0.42%	1.30%	5.61%	6.31%	6.62%	7.21%
S&P/NZX 50 ³	-1.41%	2.86%	8.26%	15.02%	17.18%	15.34%
Retail ⁴	0.31%	6.03%	15.12%	11.37%	12.94%	12.11%

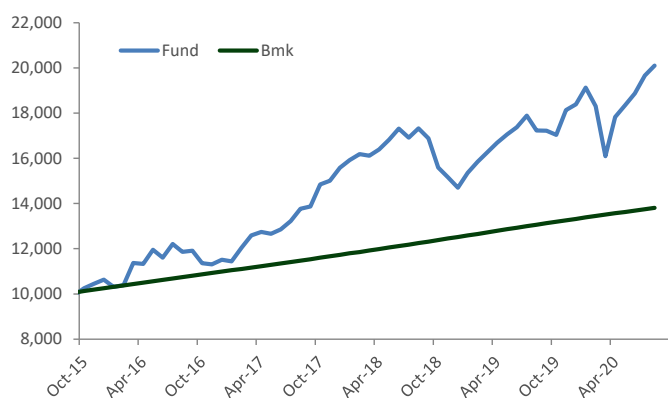
1. Returns are before tax and before the deduction of fees.

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.

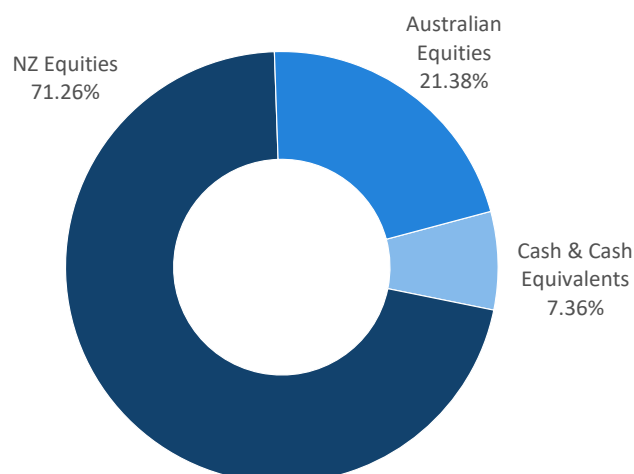
Overview

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 (quarter)	
What Helped:	What Hurt:
Summerset Group	The A2 Milk Company
EROAD	Sanford
Aristocrat Leisure	Z Energy

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

Top 10 Holdings			
Spark NZ	10.60%	Aristocrat	5.89%
The A2 Milk Company	10.39%	EROAD	5.87%
Contact Energy	8.69%	EBOS Group	5.21%
Infratil	8.36%	Pushpay Holdings	4.79%
Summerset Group	6.08%	SkyCity Entertainment	4.74%
Number of holdings			16

Market Commentary

Supported by low interest rates, most equity markets globally performed well during the quarter and somewhat ignored the health and economic impacts from COVID-19. During the quarter a number of companies reported their earnings results for the period ended June. 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 quarter.

Fund Commentary

The fund ended the quarter up 6.7%. The largest positive contributors to return were positions in **Summerset** (SUM), **EROAD** (ERD) and **Aristocrat** (ALL). SUM rose 40.1% over the quarter after announcing a good sales number for the June quarter and investors became more optimistic around the outlook for house prices. ERD rose 33.4% over the quarter supported by comments at their AGM in July and then a domestic broking house initiated coverage on ERD with a ‘buy’ rating. The company subsequently obtained a secondary listing on the ASX with an accompanying equity raise to fund product development. ALL rallied ~18% with casino reopening and machine games (particularly ALL cabinets) contributing strongly to casino performance.

A2 Milk fell over the quarter. While their earnings result pretty much met expectations, late in the quarter they downgraded their revenue expectations for the current financial year with the stock falling 24.0%. **Sanford** (SAN) fell 9% over the quarter. SAN was impacted by the lockdown of restaurants services by their Foodservices business. The company confirmed a weak FY20 result was expected and the possibility of a challenging start to FY21. Additionally they announced the sudden departure of their long serving and well regarded CEO.

Key portfolio changes during the quarter included participating in the **EROAD** (ERD) and **Orocobre** (ORE) capital raisings, as well increasing overweight positions in **Pushpay** (PPH) and **NXT**. A new investment into **Waypoint REIT** (WPR) which owns a portfolio of services stations in Australia with an attractive yield and capital structure was introduced into the portfolio.

A small reduction was made to **Infratil** (IFT) and **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	\$120.2m
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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