

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

- Globally, most equity markets struggled in October as COVID-19 case numbers increased in Europe and parts of the United States.
- The United States S&P 500 index fell 2.8%, the Japanese Nikkei 225 index lost 0.9%, the UK FTSE 100 index declined 4.9% while the Australian ASX 200 index rose 1.9%. The MSCI World index ended the month down 2.5%
- The S&P/NZX 50 index performed well relative to the world and ended the month up 2.9%.

Fund Highlights

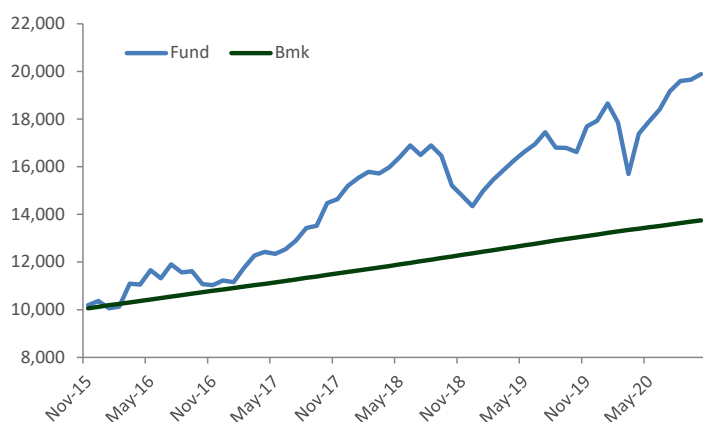
- The fund ended the month up 1.2%.
- Positions in Contact Energy, Summerset, Infratil and EBOS added value to the portfolio.
- Positions in Spark, A2 Milk, Aristocrat Leisure and Sky City Entertainment detracted from value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.18%	3.74%	19.71%	11.17%	14.74%	14.56%
Benchmark ²	0.44%	1.30%	5.55%	6.27%	6.58%	7.18%
S&P/NZX 50 ³	2.87%	3.28%	12.74%	15.06%	16.26%	15.21%
Retail ⁴	0.99%	3.32%	17.62%	9.47%	12.55%	12.13%

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.

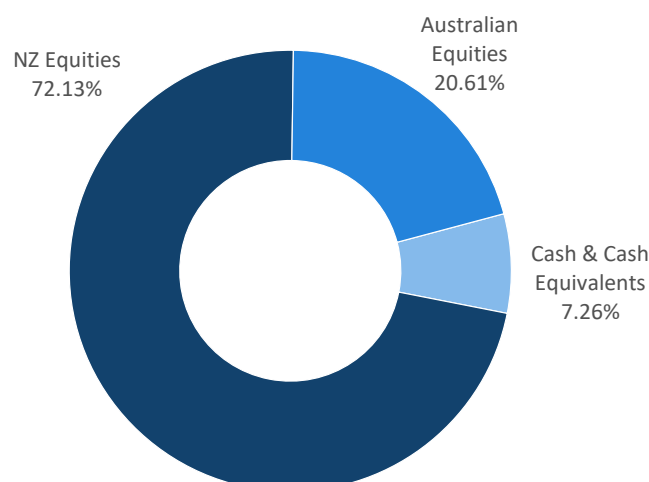
Overview

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	Spark New Zealand
Contact Energy	A2 Milk
Infratil	Aristocrat Leisure
Absolute contribution – not relative to S&P/NZX50 Index	

Top 10 Holdings			
Spark NZ	10.24%	EROAD	5.50%
A2 Milk LIMITED	9.77%	EBOS Group	5.49%
Contact Energy	9.50%	Aristocrat Leisure	5.43%
Infratil	8.95%	Pushpay Holdings	4.85%
Summerset Group	6.93%	NEXTDC	4.59%
Number of holdings			16

Market Commentary

Globally, most global equity markets struggled in October as COVID-19 case numbers increased in Europe and parts of the United States. Markets also were impacted by the United States failing to agree on fiscal stimulus plans. Closer to home the New Zealand election result saw the labour party win which was in line with expectations and therefore there was no market impact. Looking forward to November, the United States election will be the focus of markets. November will also see earnings results announced for the period ending 30 September.

Fund Commentary

The fund ended the month up 1.2%. The largest positive contributors were positions in **Summerset (SUM)**, **Contact Energy (CEN)** and **Infratil (IFT)**. SUM rose 15.7% on the back of announcing strong sales numbers for the September quarter and is also being supported by the strong residential housing market. CEN rose 11% as the sector continues to bounce around on speculation of whether the NZ Aluminium smelter will close or not. IFT rose ~9% after a mini investor day held in Auckland, relating to their investments in Vodafone NZ and Canberra Data Centres. Later in the month they announced the partial acquisition of Qscan - a diagnostic imaging business based in Australia.

The largest negative contributors were positions in **Spark (SPK)** and **A2 Milk (ATM)**. SPK fell 4.5% over the month with some concern around the potential for intensifying competition in its broadband business, while ATM fell 4.6% as the market continues to digest its earnings downgrade late in September. **Aristocrat Leisure (ALL)** gave up some of its recent gains potentially on concerns for casino operations as COVID accelerates in the United States.

(**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	\$122.1m
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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