

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 globally were strong as news that COVID-19 vaccines trials were showing high success rates.
- The US S&P 500 index rose 10.8%, the Japanese Nikkei 225 index gained 15.0%, the UK FTSE 100 index increased 12.4%, the Australian ASX 200 index added 10.2% and the MSCI World index ended the month up 12.4%.
- The S&P/NZX 50 index performed well but was not able to match the strength of most global markets and ended the month up 5.7%.

Fund Highlights

- The fund ended the month up 2.6%.
- Positions in Infratil, Eroad, Aristocrat, Z Energy and Contact Energy contributed to returns.
- Positions in NextDC, PushPay Holdings and Sanford detracted from performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	2.61%	4.12%	15.36%	11.72%	14.89%	15.18%
Benchmark ²	0.42%	1.28%	5.48%	6.23%	6.54%	7.16%
S&P/NZX 50 ³	5.68%	7.19%	13.52%	16.98%	17.10%	15.97%
Retail ⁴	2.38%	3.71%	13.54%	10.06%	12.76%	12.72%

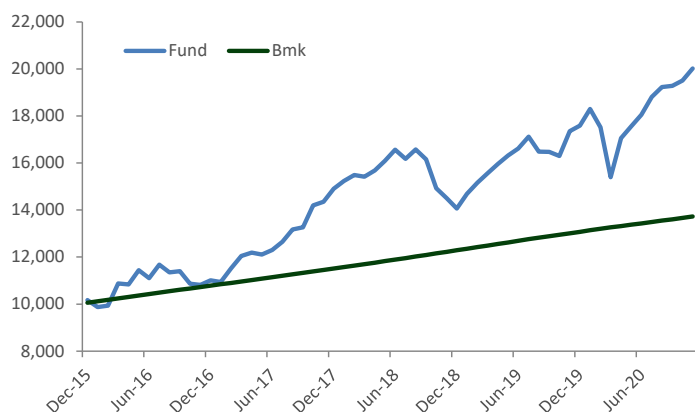
1. Returns are before tax and before the deduction of fees.

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.

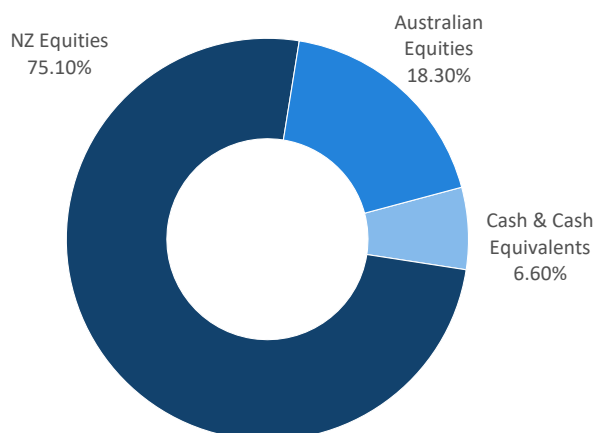
Overview

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:
Infratil Ltd	Pushpay Holdings
EROAD Ltd	NextDC Ltd
Aristocrat Leisure Ltd	EBOS Group Ltd
Absolute contribution – not relative to S&P/NZX50 Index	

Top 10 Holdings			
Spark New Zealand	10.01%	EROAD Ltd	5.94%
Contact Energy Limited	9.67%	Aristocrat Leisure Ltd	5.77%
The A2 Milk Company	9.47%	EBOS Group Ltd	5.11%
Infratil Limited	9.45%	Fisher & Paykel	4.91%
Summerset Group	6.80%	Z Energy Ltd	4.88%
Number of holdings			16

Market Commentary

The major driver of markets during November was from encouraging releases from three COVID-19 vaccine manufacturers that their trials had shown high effectiveness rates. The US election was held in early November with a drawn out and contested result but ultimately the numbers have fallen in favour of Joe Biden which will see President Trump leave the White House in January.

Earnings results for the period ending September were also released by a number of companies along with annual shareholder meetings for those that had June year ends. Results were somewhat of a mixed bag with the period being reported on impacted by COVID-19 restrictions while the likes of Fletcher Building providing a better than expected trading update.

Fund Commentary

The fund ended the month up 2.6%. The largest positive contributors were **Infratil** (IFT), **EROAD** (ERD) and **Z Energy** (ZEL) in New Zealand, all returning ~11 to 13%. Australian holding in **Aristocrat Leisure** (ALL) and **Orocobre** (ORE) returned 10.4% and 22.9% respectively.

In the cases of IFT, ERD and ZEL, the companies announced their first half earnings results which were relatively positive and hence well received by the market. ALL released their FY20 result and updated the market on FY21 expectations which supported the price rally. ORE benefitted from generally positive sentiment toward the lithium iodine market and battery technology specific on the back of President Elect Biden’s future policy initiatives.

NextDC (NXT), **PushPay Holdings** (PPH) and **EBOS Group** (EBO) performed poorly over the month. NXT was weak following the announcement of competitor land acquisitions in Sydney. PPH fell 22% as the market sold ‘covid winners’ and digested recent company announcements. These announcements including the pending director resignations by long time cornerstone investor interests tied to the Huljich family.

During the month a new position in **Fisher & Paykel Healthcare** (FPH) was introduced into the fund. The fund’s position in Orocobre was exited completely following a strong run over recent weeks driven by positive sentiment toward the battery / EV market. While the sentiment and medium term case is positive the company specific resource development and weak current resource prices are of immediate concern. **Sanford** (SAN) was further reduced.

(**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.

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