

# 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 mixed with COVID-19 still dominating news along with the inauguration of President Biden.
- The United States S&P 500 index fell 1.1%, the Japanese Nikkei 225 index gained 0.8%, the UK FTSE 100 index lost 0.8%, the Australian ASX 200 index added 0.3% and the MSCI World index ended the month down 0.2%.
- The S&P/NZX 50 index rose 0.3% for the month.

## Fund Highlights

- The fund ended the month down 2.5% giving up some of the gains from the end of 2020..
- Positions in Spark, Fisher & Paykel Healthcare and Ingenia Communities contributed to returns.
- Positions in Contact Energy Z Energy, PushPay Holdings and Waypoint REIT detracted from performance.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-2.49%	5.43%	12.39%	10.53%	15.82%	14.99%
Benchmark <sup>2</sup>	0.44%	1.30%	5.36%	6.14%	6.46%	7.11%
NZSE50 <sup>3</sup>	0.28%	8.71%	12.72%	16.86%	17.48%	16.03%
Retail <sup>4</sup>	-2.29%	4.77%	10.82%	8.82%	13.60%	12.50%

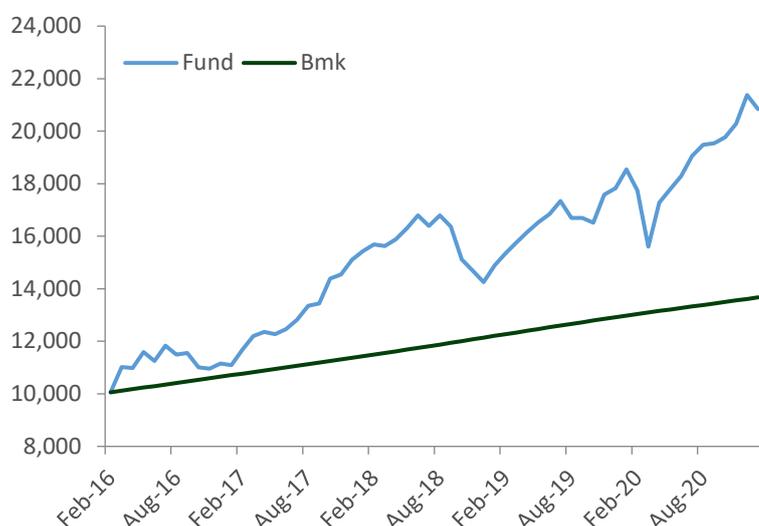
1. Returns are before tax and before the deduction of fees.

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 <sup>1,2</sup>



## Portfolio Manager

**Stuart Williams,**  
**Head of Equities**



Responsible for the Domestic Equities team and managing the Core and Concentrated Funds 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.

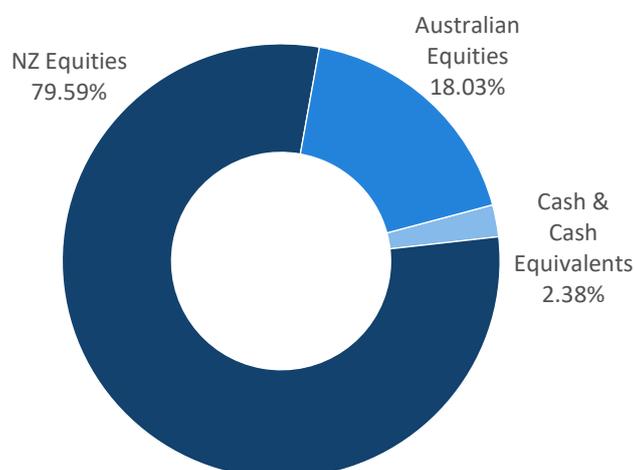
## Overview

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:
Spark NZ	Contact Energy
Fisher & Paykel	Z Energy
Ingenia Communities	Pushpay Holdings

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

Top 10 Holdings			
Fisher & Paykel	11.37%	The A2 Milk Company	6.44%
Infratil Limited	10.97%	EROAD Ltd Npv	6.11%
Spark New Zealand	10.01%	Aristocrat Leisure Ltd	5.39%
Contact Energy Limited	9.34%	Skycity Entertainment	5.02%
Summerset Group	7.41%	EBOS Group Ltd	4.95%
<b>Number of holdings</b>			<b>15</b>

## Market Commentary

COVID-19, virus mutations and the vaccine rollout will continue to be the focus of financial markets for the near future with a successful vaccine rollout crucial for border openings and an economic recovery. While global equity markets were mixed through January, long bonds continue to move higher with the likes of the New Zealand 10-year government bond having tripled from its 45bps low in late September to be 1.34% at the time of writing. This move in long bonds should flow through to investors considering how much they are willing to pay for equities, in particular yield stocks. While news flow was light in January, February will see a number of the fund’s holdings report results for the period ending 31 December.

## Fund Commentary

The fund ended the month down 2.5%. The positive contributors were **Spark (SPK)**, **Fisher & Paykel Healthcare (FPH)** and **Ingenia Communities (INA)**. All the positive contributors were relatively muted as compared the detractors. The main positive news was the removal of earnings guidance for FPH in this case because earnings are running materially ahead of the company guide (as opposed to guidance).

The largest negative contributors were positions in **Z Energy (ZEL)**, **Contact Energy (CEN)** and **Pushpay Holdings (PPH)**. ZEL fell 7.8% over the month as negative sentiment on the back of the the climate change commission recommendations weighed on the stock. Following five consecutive months of strong returns, CEN gave up 8.3% in January. PPH fell 9% over the month despite increasing full year earnings guidance and announcing the appointment of their new CEO. Pleasingly the new CEO, Molly Matthews, has been promoted from within the business.

During the month the position in FPH was materially increased opportunistically post the positive earnings announcement. The fund’s position **SkyCity Entertainment (SKC)** was added to during the month.

(**Bold** denotes stocks held in the portfolio)

## Key Fund Facts

<b>Distributions</b>	<b>Estimated annual fund charges (incl. GST)</b>	<b>Strategy size</b>
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund	\$133.5m
Retail fund: March and September	Retail: 1.15%, refer PDS for more details	
<b>Hedging</b>	<b>Buy / Sell spread: 0.29% / 0.29%</b>	<b>Strategy Launch</b>
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.	<b>Performance fee</b>	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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