

# 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

- Most global equity markets pushed higher over May although tech heavy indices struggled due in part to a continued semiconductor shortage.
- The United States S&P 500 index rose 0.6%, the Japanese Nikkei 225 index fell 0.2%, the UK FTSE 100 index increased 0.8%, the Australian ASX 200 index added 2.3% and the MSCI All Countries World Index ended the month up 1.1% all in local currency.
- The S&P/NZX 50 index fell 3.2% over the month.

## Fund Highlights

- The fund ended the down 0.50%, which was notably better than the broader NZX performance.
- A number of the fund's holdings reported earnings results for the period ending March.
- Positions in Infratil, EBOS, Aristocrat, Contact Energy and Spark added to performance.
- Fisher & Paykel Healthcare and A2 Milk performed poorly in absolute terms in the month hence detracting from value.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-0.47%	6.88%	18.22%	8.85%	12.66%	14.58%
Benchmark <sup>2</sup>	0.44%	1.30%	5.25%	5.98%	6.32%	7.03%
NZSE50 <sup>3</sup>	-3.19%	0.98%	13.88%	13.37%	12.92%	14.56%
Retail <sup>4</sup>	-0.31%	6.51%	16.25%	7.47%	10.80%	12.15%

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.

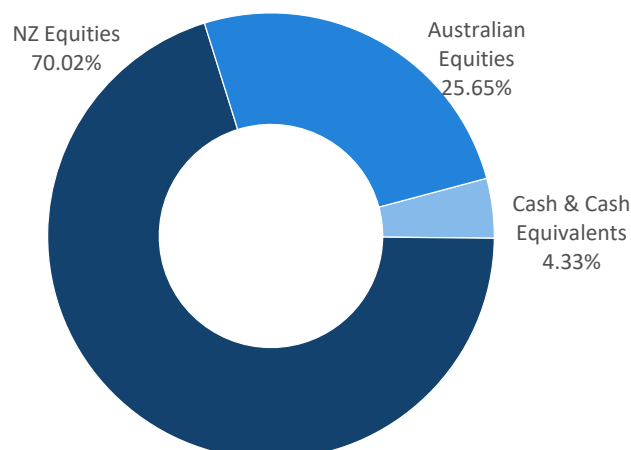
## Overview

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:
Infratil Ltd	Fisher & Paykel Healthcare
Aristocrat Leisure Ltd	A2 Milk Co., Ltd
EBOS Group Ltd	NextDC Ltd
Absolute contribution – not relative to S&P/NZX50 Index	

Top 10 Holdings (as at month end)			
Fisher & Paykel Healthcare	11.14%	EROAD Ltd	5.64%
Infratil Ltd	10.87%	EBOS Group Ltd	5.40%
Spark New Zealand Ltd	9.94%	Aristocrat Leisure Ltd	5.32%
Contact Energy Ltd	7.21%	SkyCity Entertainment	5.00%
Summerset Group	6.60%	Ingenia Communities	4.94%
<b>Number of holdings</b>			<b>16</b>

## Market Commentary

Most global equity markets pushed higher over May although tech heavy indices such as the Nasdaq struggled due in part to a continued semiconductor shortage and a rotation out of technology stocks. The New Zealand market underperformed global markets again in May with the S&P / NZX 50 index down 3.2% compared to the MSCI AC World Index which was up 1.1%. Large capitalisation stocks were the main contributor to the S&P / NZX 50 index fall with Fisher & Paykel Healthcare’s result disappointing, an earnings guidance downgrade from A2 Milk and the resignation of Ryman Healthcare’s Chief Executive. A number of securities reported results for the period ending March.

## Fund Commentary

The fund ended the month down a modest 0.50% and recovered to post a return of 1.3% calendar year-to-date. The largest positive contributors to return were positions in **Aristocrat Leisure (ALL)**, **Infratil (IFT)** and **EBOS Group (EBO)**, that rose 9.5%, 6.9% and 11.6% respectively for the month. Other portfolio companies Contact Energy (CEN), Ingenia Communities Group (INA) and Z Energy (ZEL) performed well. While IFT and ALL rallied on their latest earnings updates and comments, EBO rallied on positive structural changes to the pharmaceutical distribution agreements in Australia (and their latest acquisition news).

The largest negative contributor was our position in **Fisher & Paykel Healthcare’s (FPH)** as their result modestly disappointed due to unexpected provisioning and a lack of any guidance for FY22. FPH detracted from value given an average weight of ~11% and a 17% fall. The 19.5% fall in ATM was largely mitigated by our small residual weight at the time of their most recent disappointing earnings update (~3%). We have subsequently exited the position entirely.

Key portfolio changes during the month were adding to positions in CEN, **Sydney Airport (SYD)** and FPH and well as introducing a new position in Westpac Bank.

(**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	\$121.2m
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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