

Factsheet 30 June 2021

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 the quarter as lockdowns and restrictions were eased and economic data improved, albeit a watchful eye is on new COVID strains such as the Delta strain.
- The United States S&P 500 index rose 8.2%, the Japanese Nikkei 225 index fell 1.3%, the UK FTSE 100 index increased 4.8%, the Australian ASX 200 index added 8.3% and the MSCI World index ended the quarter up 7.2%.
- The S&P/NZX 50 index rose 0.9% over the quarter.

Fund Highlights

- The fund ended the quarter up 7.45% 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 EROAD, Aristocrat Leisure, Infratil and Contact Energy added to performance. Fisher & Paykel Healthcare and A2 Milk performed very poorly in absolute terms, albeit it was very minor weight, hence detracting from value

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	4.73%	7.45%	20.41%	9.47%	14.38%	15.45%
Benchmark ²	0.42%	1.28%	5.25%	5.94%	6.29%	7.01%
NZSE50 ³	2.79%	0.86%	11.21%	13.16%	13.99%	15.20%
Retail ⁴	4.09%	6.42%	17.87%	8.05%	12.34%	12.94%

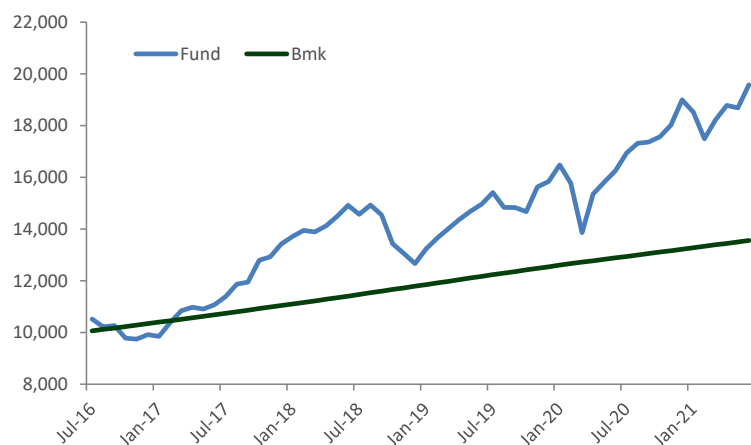
1. Returns are before tax and before the deduction of fees.

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 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.

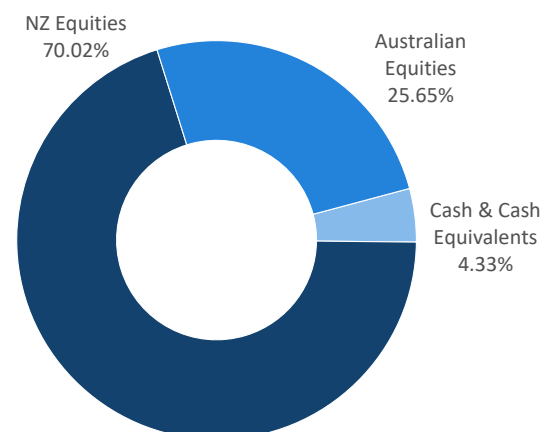
Overview

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 (quarter)	
What Helped:	What Hurt:
EROAD Ltd	A2 Milk Co., Ltd
Aristocrat Leisure Ltd	Pushpay Ltd
Infratil Ltd	Sydney Airport
Absolute contribution – not relative to S&P/NZX50 Index	

Top 10 Holdings (as at quarter end)			
Fisher & Paykel Healthcare	10.02%	EROAD Ltd	6.06%
Infratil Ltd	9.74%	SkyCity Entertainment	5.60%
Spark New Zealand	9.06%	Ingenia Communities	5.25%
Contact Energy Ltd	7.24%	Aristocrat Leisure Ltd	5.09%
Summerset Group	6.77%	EBOS Group Ltd	5.02%
Number of holdings			16

Market Commentary

Most global equity markets continued their strong run for the year as lockdowns and restrictions were eased and economic data improved. The New Zealand market continues to be somewhat of an outlier when looking at the year-to-date returns with the S&P/NZX 50 index down 3.1% compared to the US S&P 500 index up 14.4%, or the MSCI World index up 13.5%. Large capitalisation stocks remain the main contributor to the S&P/NZX 50 index relative underperformance with Fisher & Paykel Healthcare’s result disappointing, an earnings guidance downgrade from A2 Milk and the resignation of Ryman Healthcare’s Chief Executive all occurring in the quarter. A watchful eye is on new COVID strains such as the Delta strain which appears to be far more contagious. A number of securities reported results for the period ending March.

Fund Commentary

The fund ended the quarter up significantly at 7.45% and is now up 3.0% for the calendar year-to-date. The largest positive contributors to return were positions in **EROAD** (ERD), **Aristocrat Leisure** (ALL) and **Infratil** (IFT) which rose 41%, 24.3% and 10% respectively for the quarter. Other portfolio companies **Contact Energy** (CEN), **NextDC** (NXT) and **Summerset Group** (SUM) performed well. ERD delivered a result in line with expectations but importantly continues to build momentum in the Australia and North America markets. ALL reported a strong net profit for the first half of 2021 and compelling guidance for the remainder of the year. IFT one of the funds larger positions rallied 10% over the quarter supported by an excellent annual result, positive FY22 earning guidance and news that they have completed their acquisition of a majority of Pacific Radiology.

The largest negative contributors were our positions A2 Milk Coy (ATM) which detracted 1% given its small weight in the portfolio and notwithstanding the 28% fall in the quarter, and PushPay Holdings (PPH) despite excellent FY21 results and positive guidance for FY22. The 19.5% fall in ATM in May 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 quarter were adding to positions in **CEN** and **Sydney Airport** (SYD). We introduced a new position in **Westpac Bank**. A2 Milk which commenced the quarter as 3.4% weight was sold completely from the portfolio in May. **Fisher & Paykel Healthcare** was modestly reduced in the portfolio into a stronger period of price performance.

(**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	\$126.7m
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 quarter.

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