

Factsheet 31 July 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

- Global equity markets were mixed over the month, as Chinese regulation of industries and companies weighed on Asian markets. Debates continued as to whether current inflation is transitory or structural, and the delta variant of COVID-19 continued to spread around the globe. The rollout of COVID-19 vaccines has enabled more freedom in certain countries such as the United Kingdom and the United States of America.
- The United States S&P 500 index rose 2.3%, the Japanese Nikkei 225 index fell 5.2%, the UK FTSE 100 index lost 0.1%, the Australian ASX 200 index added 1.1% and the MSCI World index ended the month up 0.7%.
- The S&P/NZX 50 index fell 0.5% over the month.

Fund Highlights

- The fund ended down 0.6%.
- News flow was relatively light ahead of a number of the fund's holdings reporting results next month for the period ending June.
- Sydney Airport received an unsolicited takeover offer notably higher than the stock price at the time.
- EROAD raised \$80.5m to fund the acquisition of a complimentary business.
- Infratil Ltd, Sky City Entertainment and Ingenia Communities Group were weak during the month.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-0.57%	3.65%	14.92%	10.14%	13.10%	15.79%
Benchmark ²	0.44%	1.30%	5.25%	5.90%	6.25%	7.00%
NZSE50 ³	-0.46%	-0.96%	8.04%	13.07%	12.45%	15.32%
Retail ⁴	-0.65%	3.09%	12.99%	8.71%	11.10%	13.28%

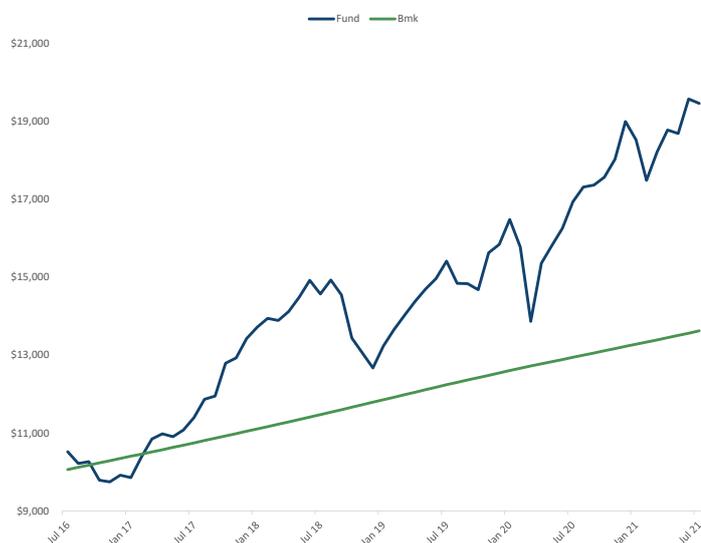
1. Returns are before tax and before the deduction of fees.

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.

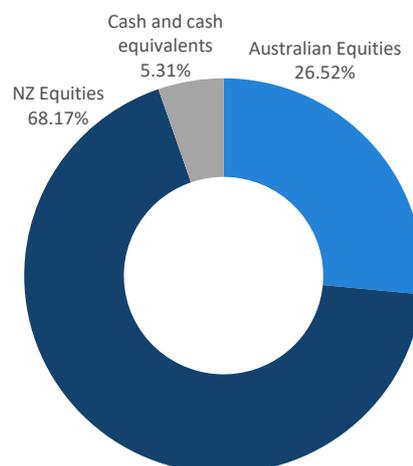
Overview

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 (month)	
What Helped:	What Hurt:
Sydney Airport	Infratil Ltd
EROAD Ltd	SkyCity Entertainment
Z Energy Ltd	Ingenia Communities

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

Top 10 Holdings (as at month end)			
Fisher & Paykel Healthcare	10.24%	Summerset Group Ltd	6.57%
Infratil Ltd	9.33%	SkyCity Entertainment	5.18%
Spark New Zealand Ltd	8.72%	NEXTDEC Ltd	4.95%
EROAD Ltd	7.61%	Ingenia Communities	4.89%
Contact Energy Ltd	7.19%	Aristocrat Leisure Ltd	4.87%
Number of holdings			16

Market Commentary

Global equity markets were mixed over the month, as Chinese regulation of industries and companies weighed on Asian markets. Debates continued as to whether current inflation is transitory or structural and the Delta variant of COVID-19 continued to spread around the globe. The rollout of COVID-19 vaccines has enabled more freedom in certain countries such as the United Kingdom and the United States of America. News flow was relatively light ahead of results to be announced for the period ending June next month although a number of investor days and Annual Shareholder Meetings were held in July.

Fund Commentary

The fund ended the month down 0.6%. The largest positive contributors to return were positions in **Sydney Airport (SYD)**, **EROAD (ERD)** and **Z Energy (ZEL)**. SYD jumped 35% after announcing an indicative non-binding bid from a consortium of the investors at \$8.25, a circa 42% premium to the pre-bid price ZEL rose 7.7% following a well-received investor day where they outlined growth opportunities over the next few years.

The largest negative contributors to returns were positions in **Infratil Ltd (IFT)**, **Sky City Entertainment (SKC)** and **Ingenia Communities Group (INA)**. SKC lost 8.3% with the key driver over the month the closure of their Adelaide Casino for part of the month due to the lockdowns across Australia.

There were no material changes to portfolio positions during the month.

(**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	\$125.7m
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 month.

Contact Us

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