

# 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 mostly posted strong returns for the quarter while Inflation continues to be relatively high in a number of economies. There is a focus on what response Central Banks will take given the high inflation numbers.
- The United States S&P 500 index rose 10.7%, the Japanese Nikkei 225 index lost 2.2%, the UK FTSE 100 index increased 4.2%, the Australian ASX 200 index added 2.1% and the MSCI World index ended the quarter up 7.0%.
- The S&P/NZX 50 index ended the quarter down 1.7%.

## Fund Highlights

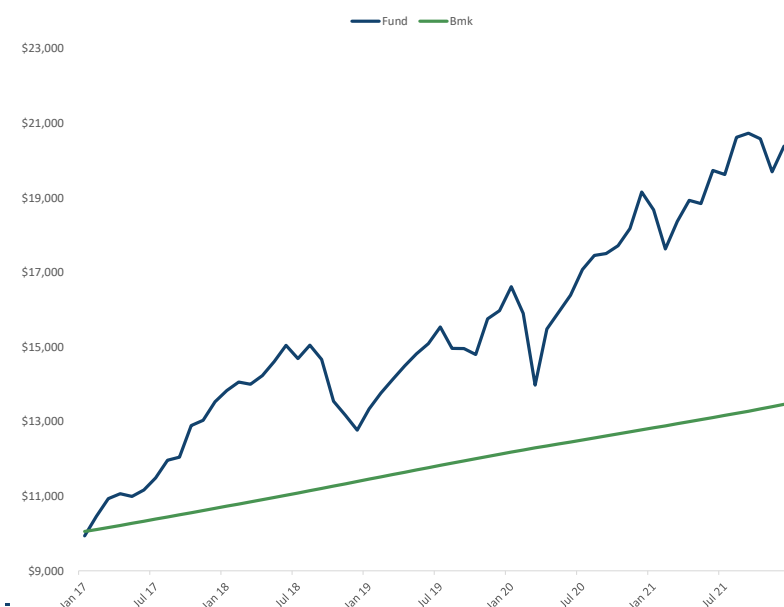
- The fund posted a solid return for the month but ended the quarter down 1.7%.
- News flow was high during the quarter with a number of the fund's holdings reporting earnings for the period ended September, along with a number of capital raisings.
- During the quarter the fund participated in the \$779m capital raising by EBOS, Ingenia Communities raising of \$475m and Aristocrat Leisure's \$1.3b raising.
- Fund positions in EBOS Group, Z Energy and NextDC added considerable value while Pushpay and Summerset were material detractors.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	3.49%	-1.68%	6.43%	16.86%	15.31%	16.79%
Benchmark <sup>2</sup>	0.48%	1.38%	5.33%	5.71%	6.13%	6.91%
Retail <sup>3</sup>	3.35%	-2.16%	5.03%	15.01%	13.23%	14.21%
NZSE50 <sup>4</sup>	2.55%	-1.73%	0.20%	14.77%	14.66%	16.07%

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. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).
4. S&P / NZX 50 Index Gross (with Imputation Credits). No tax or fees.

## 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.

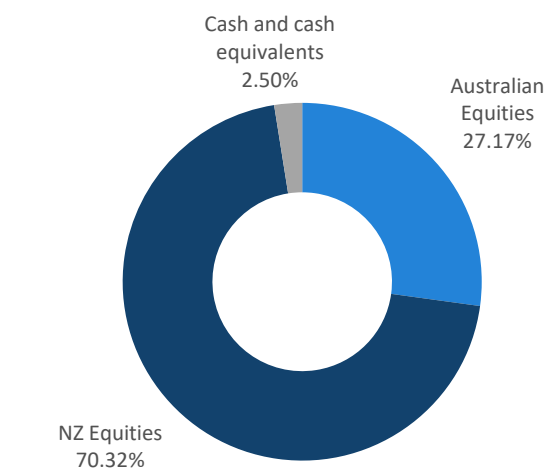
## Overview

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 (quarter)	
What Helped:	What Hurt:
EBOS Ltd	Pushpay Ltd
Z Energy Ltd	Summerset Ltd
NEXTDC Ltd	Westpac Banking Crop

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

Top 10 Holdings (as at quarter end)			
Fisher & Paykel Healthcare	11.40%	Summerset Group	7.17%
Infratil Limited	9.49%	Z Energy Ltd	6.66%
Spark New Zealand Ltd	8.53%	Aristocrat Leisure Ltd	6.39%
Contact Energy Limited	8.17%	EBOS Limited	6.30%
Ingenia Communities Group	7.45%	NEXTDC Ltd	5.37%
<b>Number of holdings</b>			<b>15</b>

## Market Commentary

Despite the rapid spread of the Omicron COVID-19 variant, global equity markets mostly posted strong returns for the quarter. Inflation continues to be relatively high in a number of economies and as a result there is a focus on the response from Central Banks. The Reserve Bank of New Zealand increased the official cash rate (OCR) twice over the quarter taking the OCR from 25 basis point to 75 basis points. Company results announced during the quarter highlighted cost pressures being faced, in particular those related to wages or those impacted by constrained supply chains.

## Fund Commentary

The fund ended the quarter down in aggregate by 1.7%, in line with the broader NZ market that also fell 1.7%. The largest positive contributors to return were positions in **EBOS Group (EBO)**, **Z Energy (ZEL)** and **NEXTDC (NXT)**. EBO raised \$779m to fund the acquisition of a medical device distribution business and also announced a strong trading update. EBO ended the quarter up 16.7%. ZEL rose 6.7% on the back of their Board endorsing a revised bid from Ampol. After falling in September, NXT added 6.3% over the quarter following confirmation of earnings guidance.

The largest negative contributors to return were positions in **Pushpay (PPH)**, **Westpac Bank (WBC)** and **Summerset (SUM)**. PPH dropped 28.7% after a disappointing result and downgrading its earnings guidance. In addition, concerns about unique customer additions and transaction volumes together with cost escalations remain to the forefront of investors’ minds. WBC fell 14.8% (in AUD) with their second half earnings announcement. The challenges include margin declines, cost increases and momentum into the new year, hence the sizeable fall in price. A number of retirement businesses reported earnings during the quarter which highlighted increasing costs, in particular for staff. This, along with some negative sentiment around the housing market outlook saw SUM fall 9.9%.

During the quarter we added to positions in **Ingenia Communities (INA)**, **Aristocrat Leisure (ALL)** and **EBO** through their respective capital raisings. The fund’s position in **Spark (SPK)** was added to while reductions were made in **ZEL** and **EROAD (ERD)**. The holding of Sydney Airport (SYD) was divested.

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

Key Fund Facts	
<b>Distributions</b>	<b>Estimated annual fund charges (incl. GST)</b>
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund
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>
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>
<b>Exclusions</b> Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.	10% on gains above benchmark over 12-month period after fees and expenses. High water mark applies.
<b>Restrictions</b> Tobacco stocks, ‘controversial weapons’, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .	<b>Strategy size</b>
	\$117.2m
	<b>Strategy Launch</b>
	August 2006

## Compliance

The wholesale fund complied with its investment mandate and trust deed during the quarter.

## Contact Us

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This material has been prepared without taking into account a potential investor’s objectives, financial situation or needs and is not intended to constitute personal financial advice and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given, and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on [nikkoam.co.nz](http://nikkoam.co.nz).