

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 sold off aggressively in April with inflation, increasing interest rates and the war in Ukraine having an impact.
- Bond markets continue to sell off with the NZ 10-yr Government bond increasing 42 basis points in response to the inflation outlook.
- The United States S&P 500 index fell 8.8%, the Japanese Nikkei 225 index fell 3.5%, but the UK FTSE 100 index gained 0.4%. The Australian ASX 200 index declined 0.9% and the MSCI World index declined 6.5%.
- The S&P/NZX 50 index ended the month down 1.9%.

Fund Highlights

- The fund ended down 2.0%
- Pushpay announced they have been approached by parties interested in acquiring the company.
- Z Energy delisted from the market following acquisition by Ampol.
- Fund positions Pushpay, Spark and Infratil added value, while our investment in EROAD, Fisher & Paykel Healthcare and Aristocrat Leisure detracted value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-1.95%	-0.09%	-1.07%	8.92%	11.10%	15.06%
Benchmark ²	0.50%	1.44%	5.57%	5.63%	6.08%	6.86%
Retail ³	-2.04%	-0.32%	-2.77%	7.21%	9.17%	12.53%
NZSE50 ⁴	-1.86%	0.22%	-5.98%	6.62%	10.95%	14.04%

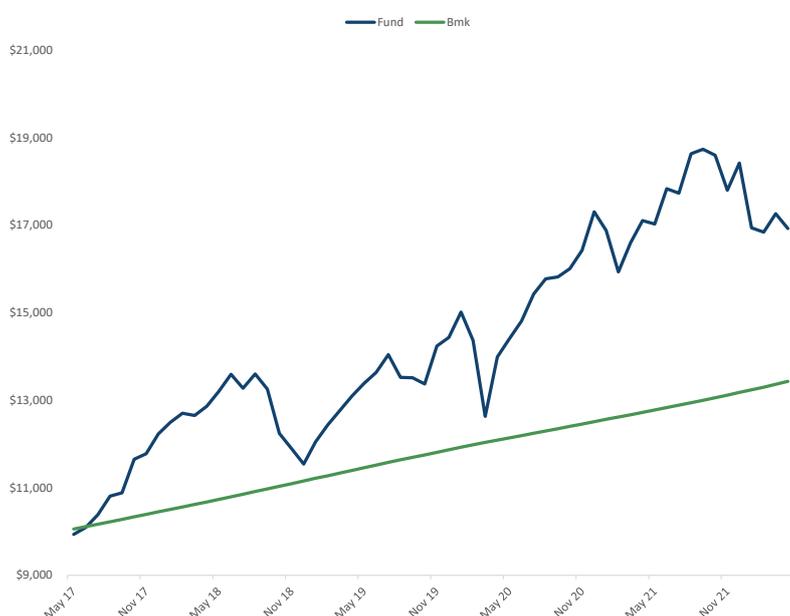
1. Returns are before tax and before the deduction of fees.

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 ^{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.

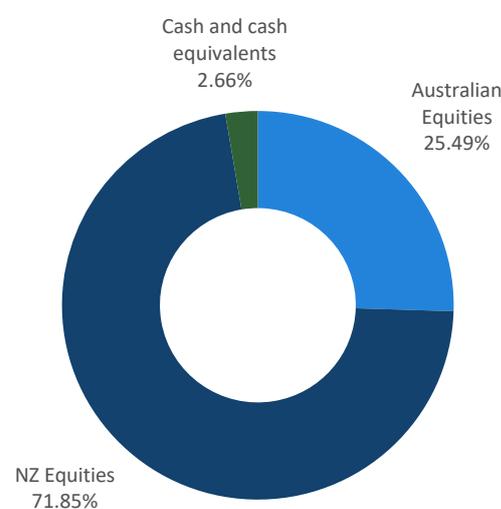
Overview

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:
Pushpay Ltd	EROAD Ltd
Spark NZ Ltd	Fisher & Paykel Healthcare Ltd
Infratil Ltd	Aristocrat Leisure Ltd

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

Top 10 Holdings			
Fisher & Paykel Healthcare	10.16%	Ingenia Communities	6.65%
Infratil Limited	10.09%	Aristocrat Leisure Ltd	6.13%
Contact Energy Limited	9.31%	Waypoint REIT	5.72%
Spark New Zealand Ltd	8.91%	Pushpay Ltd	5.27%
EBOS Group Limited	7.67%	Fletcher Ltd	5.23%
Number of holdings			16

Market Commentary

Concerns around COVID-19 have taken a back seat to the market focusing on rising inflation, increasing interest rates and the war in Ukraine. Central banks have either started to raise or are signalling material increases in official cash rates. This is flowing through to weak equity and bond markets. The tech heavy Nasdaq has been a standout, down 13.3% over the month and 21.2% year-to-date. The NZ 10-year Government bond rose 42 basis point while the United States 10-year rose 60 basis points to end the month at 3.64% and 2.94% respectively. With Z Energy delisting from the NZX late in April it was replaced in the NZX 50 index by The Warehouse.

Fund Commentary

The fund ended the month down by 2.0% following on from a weak start to the year in the first quarter being down 6.3%. Notwithstanding overall returns **PushPay Holdings** (PPH) rallied up 15.8%, having announced that multiple parties presented expressions of interest in acquiring the company. In addition, they reaffirmed their earnings guidance for the forthcoming FY22 result. **Spark** (SPK) was up 7.4%, having commenced a process to explore the introduction of third-party capital into its telecommunication tower subsidiary, which owns over one thousand mobile network sites. **Infratil** (IFT) to was up 1.8%, with performance firmly ahead of the company's FY22 earnings result in May, with positive expectations for their key business units. WBC up 13.5%, bouncing strongly from its recent low. The market is anticipating improved performance via better net interest margin given the period of rising interest rates ahead. Assisted by their current position of financial strength. The position in **EROAD** (ERD) detracted value with the stock falling ~28% over the month following the surprised resignation of the founder / CEO and major shareholder. Both the market and board of directors were shocked by the sudden announcement notwithstanding the company's assurance that both trading the integration of the Cortex acquisition are proceeding well. **Fisher & Paykel Healthcare** (FPH) fell 11.7% as investors contemplated the earning announcement on 25th May after lower-than-expected earnings guidance last month continued to cast a question mark over its prospects post-pandemic. There were no material changes to the portfolio 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	\$97.4m
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.	
Exclusions Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.			
Restrictions 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 https://www.nikkoam.co.nz/invest/retail .			

Compliance

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

Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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