

Factsheet 31 July 2022

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

- With the exception of China, global equity markets performed strongly on the back of falling bond yields.
- Over the month the US 10-year bond yield fell 35bps, the New Zealand 10-year yield fell 45bps while the Australian 10 year fell 60bps.
- The United States S&P 500 index rose 9.1%, the Japanese Nikkei 225 index rose 5.4%, the UK FTSE 100 index increased 3.5%, the Australian ASX 200 index gained 5.8% and the MSCI World index ended the month 7.1%.
- The S&P/NZX 50 index ended the month up 5.8%.

Fund Highlights

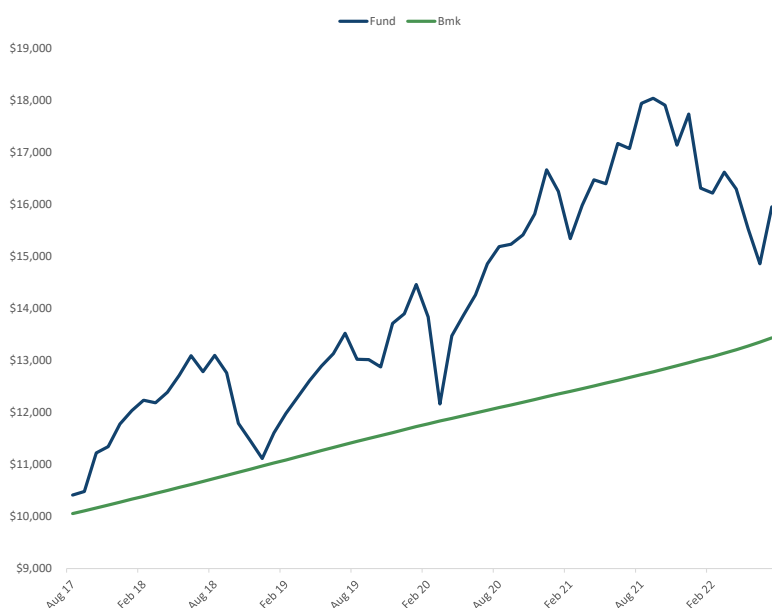
- The fund ended the month up 7.4%.
- A number of companies are due to announce results for the period ending June next month.
- There were several investor days during the month with the likes of Fletcher Building providing positive updates.
- Spark and Vodafone both announced the partial sale of their cell tower assets for attractive values.
- Positions in Ingenia, Infratil and EROAD added value.
- Positions in SkyCity, Ramsay Healthcare and EBOS detracted from value.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	7.37%	-2.11%	-6.57%	5.67%	9.80%	14.82%
Benchmark ²	0.60%	1.71%	6.00%	5.66%	6.09%	6.84%
Retail ³	7.35%	-2.30%	-7.86%	4.03%	7.93%	12.32%
S&P/NZX 50 ⁴	5.77%	-3.17%	-8.08%	2.63%	9.28%	13.69%

- Returns are before tax and before the deduction of fees.
- Benchmark: RBNZ Official Cash Rate plus 5% per annum. No tax or fees.
- Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).
- 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.

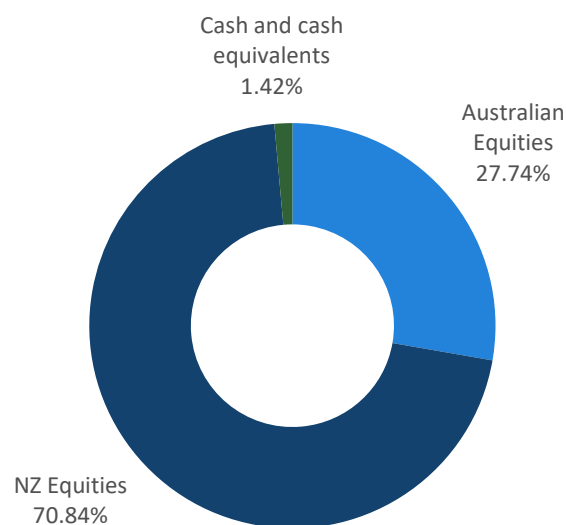
Overview

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:
Ingenia Communities	SkyCity Entertainment
Infratil	Ramsay Healthcare
EROAD	EBOS

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

Top 10 Holdings			
Infratil Limited	11.10%	Aristocrat Leisure Ltd	6.70%
Spark New Zealand Ltd	9.74%	Ingenia Communities	6.45%
Fisher & Paykel Healthcare	8.18%	NEXTDC Ltd	6.32%
Contact Energy Limited	8.17%	Pushpay Ltd	5.88%
EBOS Group Limited	8.15%	Waypoint REIT	5.45%
Number of holdings			16

Market Commentary

With the exception of China, global equity markets performed strongly on the back of falling bond yields. Central banks around the world continue to raise cash rates as they battle the highest inflation rates in decades. These rate increases and outlook for more is flowing through to concerns around economic growth with the United States now in a technical recession after reporting its second quarter of negative growth. These growth concerns have resulted in bond yields falling with the likes of the United States, New Zealand and Australia seeing their 10-year bond yields fall between 35 and 60 basis points over the month. Lower bond yields have been supportive of equity markets.

Fund Commentary

The fund ended the month up 7.4%. The largest positive contributors to monthly performance were positions in **Ingenia (INA)**, **Infratil (IFT)** and **EROAD (ERD)**. **INA** rose 16.6% (in AUD) as they confirmed they would meet earnings guidance and announced a strong sales pipeline. **IFT** benefited from Vodafone news, of which **IFT** owns 50%, announcing the partial sale of its cell tower assets at an attractive valuation. **IFT** added 9.1% over the month. **ERD** up 51.4%, an optically large increase yet one which is dwarfed by the preceding decline. The company appointed a new CEO and held their Annual General Meeting where it provided FY23 earnings guidance. The negative contributors to monthly performance were positions in **Sky City (SKC)** and **Ramsay (RHC)**. **SKC** fell 4.8% after announcing that the South Australian gaming regulator would be undertaking an independent review of its Adelaide casino to ensure **SKC** was still suitable to hold the casino licence. **RHC** down 4.2%, with the share price being driven by a combination of fundamentals and speculation regarding potential for corporate action. On the former, there is uncertainty relating to the pace of post covid normalization in patient visitation rates. Whereas, for the latter, there are some concerns in relation to the completion of the proposed KKR transaction.

Key portfolio changes during the month included reducing **Waypoint (WPR)**, **Ingenia (INA)**, and **Fisher & Paykel (FPH)**; and increasing **Sky City (SKC)**.

(**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	\$85.2m
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.		
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

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