

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 had a strong start to the new year as China's reopening provided optimism to investors and bond yields fell, reinforcing the idea of the January effect.
- The United States S&P 500 index rose 5.7%, the Japanese Nikkei 225 index added 4.7%, the UK FTSE 100 index gained 4.3%, the Australian ASX 200 index increased 6.2% and the MSCI World index ended the month up 5.7%.
- The S&P/NZX 50 index ended the month up 4.3%.

Fund Highlights

- The fund ended the month up 4.1%.
- It was a quiet month for news flow ahead of February when a number of the fund's holdings will report results for the period ending December.
- Positions in Aristocrat Leisure, NextDC and Fisher & Paykel Healthcare contributed to performance.
- Spark was the only holding that detracted from performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	4.17%	3.94%	-2.24%	3.32%	5.79%	12.66%
Benchmark ²	0.75%	2.21%	7.53%	6.09%	6.27%	6.90%
Retail ³	4.05%	3.63%	-3.25%	1.92%	4.25%	10.33%
S&P/NZX 50 ⁴	4.31%	5.66%	1.49%	1.40%	8.10%	12.05%

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. 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.

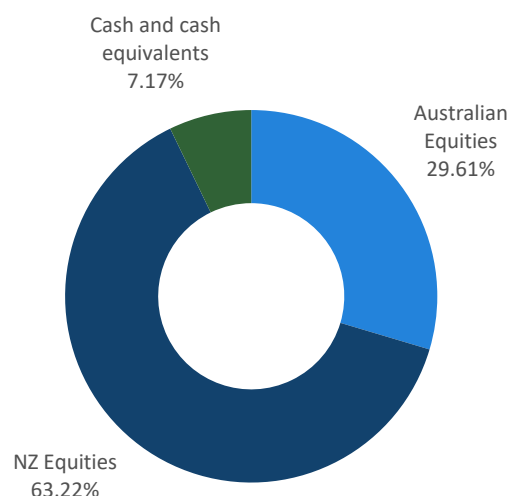
Overview

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:
Aristocrat Leisure Ltd	Spark NZ Ltd
NEXTDC Ltd	
Fisher & Paykel Healthcare	

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

Top 10 Holdings			
Infratil Limited	10.96%	Ingenia Communities Group	6.72%
Contact Energy Limited	9.58%	Pushpay Holdings Ltd	6.67%
Spark New Zealand Ltd	9.41%	NEXTDEC Ltd	5.90%
Fisher & Paykel Healthcare	9.04%	Mainfreight Limited	5.85%
Aristocrat Leisure	6.89%	Waypoint REIT	5.08%
Number of holdings			16

Market Commentary

Global equity markets continue to focus on economic news and how that might impact on where interest rates will peak. Long bonds for key markets fell over the month with the US 10-year bond down 35bps, Australia’s down 50bps and New Zealand’s down 30bps. China’s reopening also gave optimism to investors. This provided a boost to equity markets, reinforcing the idea of the January effect, the belief that the stock market has a tendency to rise in January more than any other month. Inflation continues to be an issue and all eyes will be on central bank meetings and decisions that come out of those during February.

Fund Commentary

The fund ended the month up 4.1%, a strong start to the calendar year.

The largest positive contributors to monthly performance were positions **Aristocrat Leisure** (ALL), **NextDC** (NXT) and **Fisher & Paykel Healthcare** (FPH). ALL rose 11.3% (in AUD), assisted by corporate activity in the digital gaming sector. FPH jumped 11.8% after announcing revenue guidance that was better than the market was expecting. NXT continues to be volatile month to month and ended the period up 8.7% (in AUD).

Spark (SPK) was the only portfolio holding that declined over the month. SPK had a strong 2022 relative to the market return but fell 3.6% over January on no specific news.

Portfolio changes of note included adding to positions in **Allkem** (AKE), SPK and FPH while the portfolios position in **Fletcher Building** (FBU) was reduced.

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

Key Fund Facts

<p>Distributions</p> <p>Wholesale fund: Calendar quarter</p> <p>Retail fund: March and September</p>	<p>Estimated annual fund charges (incl. GST)</p> <p>Wholesale: negotiated outside of fund</p> <p>Retail: 1.15%, refer PDS for more details</p>	<p>Strategy size</p> <p>\$75.1m</p>
<p>Hedging</p> <p>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.</p>	<p>Buy / Sell spread: 0.29% / 0.29%</p> <p>Performance fee</p> <p>10% on gains above benchmark over 12-month period after fees and expenses. High water mark applies.</p>	<p>Strategy Launch</p> <p>August 2006</p>
<p>Exclusions Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).</p>		
<p>Restrictions Tobacco stocks, , 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.</p>		

Compliance

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

Contact Us

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