

Factsheet 28 February 2023

# 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 during February with earnings results impacting stock movements along with a push higher in bond yields.
- The United States S&P 500 index fell 2.3%, the Japanese Nikkei 225 index added 0.4%, the UK FTSE 100 index gained 1.4%, the Australian ASX 200 index declined 2.5% and the MSCI World index ended the month down 1.6%.
- The S&P/NZX 50 index ended the month down 0.6%.

## Fund Highlights

- The fund ended the month down 1.7%.
- A number of the fund's holdings reported earnings for the period ended December.
- Ryman Healthcare raised \$902m to reduce debt.
- Positions in Aristocrat Leisure, Fisher & Paykel Healthcare and NextDC contributed to performance.
- Positions in Ingenia Communities, Ryman Healthcare and Spark detracted from performance.

## Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale <sup>1</sup>	-1.68%	-0.13%	-3.32%	4.26%	5.09%	12.19%
Benchmark <sup>2</sup>	0.69%	2.21%	7.81%	6.16%	6.30%	6.91%
Retail <sup>3</sup>	-1.75%	-0.40%	-4.32%	2.74%	3.64%	9.89%
S&P/NZX 50 <sup>4</sup>	-0.61%	3.04%	0.12%	2.54%	8.15%	11.81%

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. 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.

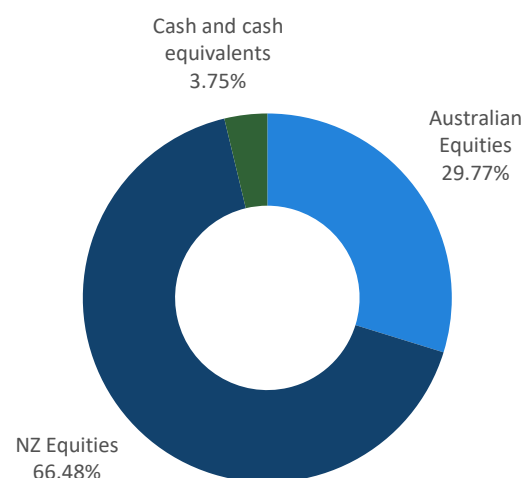
## Overview

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	Ingenia Communities Group
Fisher & Paykel Healthcare	Ryman Healthcare
NEXTDC Ltd	Spark Ltd

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

Top 10 Holdings			
Infratil Limited	11.13%	Pushpay Holdings Ltd	6.72%
Contact Energy Limited	10.13%	NEXTDEC Ltd	6.26%
Spark New Zealand Ltd	9.96%	Ingenia Communities Group	5.89%
Fisher & Paykel Healthcare	9.52%	Mainfreight Limited	4.93%
Aristocrat Leisure	7.58%	Waypoint REIT	4.89%
<b>Number of holdings</b>			<b>18</b>

## Market Commentary

Global equity markets were mixed during February with earnings results impacting stock movements along with a push higher in bond yields. Key central banks lifted cash rates during the month as they continue their battle with inflation. Investors are looking for signals that rate increases have taken rates near to or are at their peak. Central banks are talking a tough game and will do whatever is necessary to get inflation back to target ranges. In results we have seen good revenue growth but offset by increased operating expenses and interest costs.

## Fund Commentary

The fund ended the month down 1.7%, a strong start to the calendar year. The largest positive contributors to monthly performance were positions in **Aristocrat Leisure (ALL)**, **Fisher & Paykel Healthcare (FPH)** and **NextDC (NXT)**. ALL rose 7.6% (in AUD), assisted by announcing an extension and increase in its share buyback. FPH continued on from its strong January performance where it rose 11.8% after announcing revenue guidance that was better than the market was expecting, adding 2.9% in February. NXT rose 3.7% (in AUD) after announcing a better-than-expected earnings result.

The largest detractors to performance were positions in **Ingenia Communities (INA)**, **Ryman Healthcare (RYM)** and **Spark (SPK)**. INA fell 13.2% (in AUD) after downgrading earnings guidance due to lower home deliveries in the period. RYM was added to the portfolio through its \$902m capital raising. RYM fell 12.3% through the fund’s holding period although the stock fell 19% over the month. SPK fell 3.9% after announcing a weaker than expected first half result although reiterated its full year guidance, albeit at the bottom of the indicated range. (**Bold** denotes stocks held in the portfolio).

## Key Fund Facts

<b>Distributions</b>	<b>Estimated annual fund charges (incl. GST)</b>	<b>Strategy size</b>
Wholesale fund: Calendar quarter	Wholesale: negotiated outside of fund	\$73.4m
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>	<b>Strategy Launch</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>	August 2006
	10% on gains above benchmark over 12-month period after fees and expenses. High water mark applies.	
<b>Exclusions</b> Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).		
<b>Restrictions</b> 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 <a href="https://www.nikkoam.co.nz/invest/retail">https://www.nikkoam.co.nz/invest/retail</a> .		

## Compliance

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

## Contact Us

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