

FACTSHEET 30 JUNE 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

- While global equity markets were mostly positive over the quarter, there was quite a large range in returns driven by stock specific events, economic data and interest rate movements.
- The United States S&P 500 index rose 8.3%, the Japanese Nikkei 225 index jumped 18.4%, the UK FTSE 100 index fell 1.3% the Australian ASX 200 index gained 1.0% and the MSCI World index ended the quarter up 6.6%.
- The S&P/NZX 50 index ended the quarter up 0.4%.

Fund Highlights

- The fund ended the quarter up 5.0%.
- A number of the fund's holdings reported results for the period ended 31 March.
- The Pushpay takeover was concluded with its delisting from the NZX and payment received by the fund for its holding.
- NextDC completed a \$618m capital raise to fund new data centres while Infratil raised in excess of \$900m to fund the purchase of the half of One NZ that it didn't already own.
- Positions in NextDC, Infratil and Allkem contributed to performance.
- Positions in Fisher & Paykel Healthcare, Ramsay Healthcare and A2 Milk detracted from performance.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	1.57%	5.09%	11.71%	5.19%	4.86%	12.90%
Benchmark ²	0.82%	2.48%	9.05%	6.70%	6.53%	7.00%
Retail ³	1.48%	4.81%	10.50%	3.56%	3.52%	10.60%
S&P/NZX 50 ⁴	0.93%	0.37%	10.57%	2.08%	6.74%	11.51%

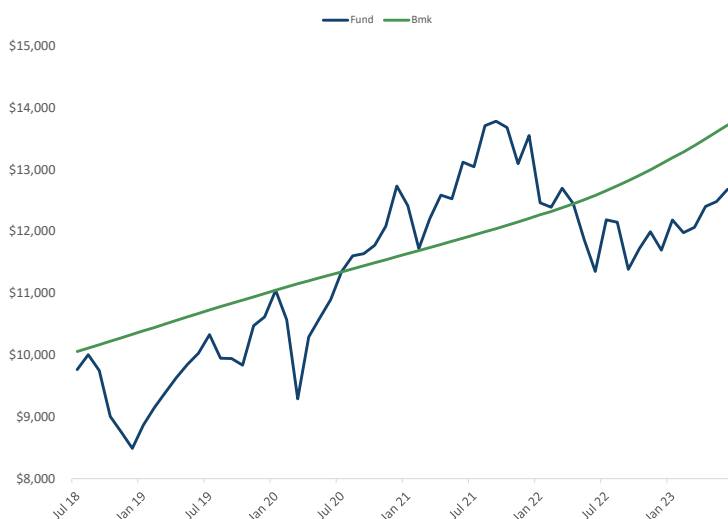
1. Returns are before tax and before the deduction of fees.

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 is Managing Director and Portfolio Manager at Nikko AM New Zealand, he joined in 2014. He has over 20 years' experience across all aspects of investment management. Stuart has extensive experience in conducting detailed research and developing investment recommendations on listed companies in both New Zealand and Australia. He holds a Bachelor of Commerce degree from the University of Auckland and is a Chartered Accountant.



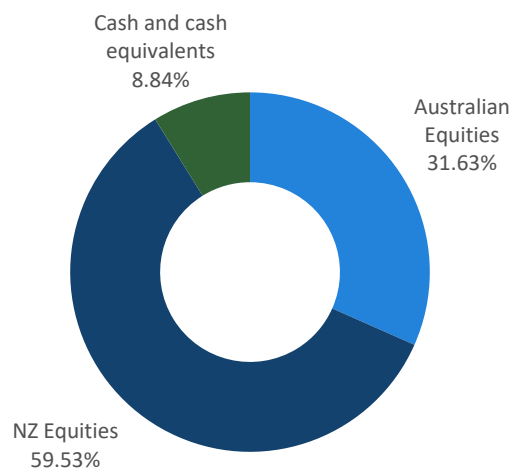
Overview

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:
NEXTDC	Fisher & Paykel Healthcare
Infratil	A2 Milk
Allkem	Ramsay Healthcare

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

Top 10 Holdings (% of fund)			
Infratil Limited	12.72	Aristocrat Leisure	6.44
Spark New Zealand Ltd	11.47	Mainfreight Limited	4.89
Contact Energy Limited	11.05	Waypoint REIT	4.78
Fisher & Paykel Healthcare	9.26	Ingenia Communities	4.73
NextDC Ltd	9.00	Allken Ltd	4.02
Number of holdings			14

Market Commentary

Global equity markets were mostly positive over the quarter with earnings results affecting specific stocks while interest rate moves and economic data drove the broader market. The New Zealand earnings results were generally in line with expectations with a couple of exceptions. Fisher & Paykel Healthcare disappointed the market with its outlook and given its large weight in the index it was a material drag to the return of the S&P / NZX 50 index. EBOS was also a large negative contributor to the index return over the quarter after unexpectedly announcing the loss of a major contract. On monetary policy, most key central banks raised rates over the quarter with the US Federal Reserve, the European Central bank, the Bank of England, the Bank of Canada, the Reserve Bank of Australia and the Reserve Bank of New Zealand all raising their official cash rates. Several of the rate increases were unexpected by the market - either being more than expected or raising when not expected to at all. The RBNZ stuck to their previously guided peak cash rate where the market had started pricing a higher peak rate.

Fund Commentary

The fund ended the quarter up 5.0% and well ahead of benchmark.

The largest positive contributors to performance over the quarter were positions in **NextDC** (NXT), **Infratil** (IFT) and **Allkem** (AKE). The fund’s holding in NXT rose 24.7% (in AUD) following a \$618m capital raise to fund new data centres in Malaysia and Auckland along with the fit-out of one of its data centres in Australia. IFT announced a good earnings result and outlook along with a capital raise to purchase the half of One NZ it didn’t already own. The stock provided a 13.7% return to the fund over the period. AKE announced a merger agreement with Livent - a lithium miner and processor listed on the NYSE which should deliver material synergies and diversification. AKE rose 34.9% (in AUD) over the quarter.

The largest detractors to performance were positions in **Fisher & Paykel Healthcare** (FPH), **Ramsay Healthcare** (RHC) and **A2 Milk** (ATM). FPH fell 6.8% after providing a result generally in line with expectations but with weaker guidance - in particular around margin. RHC’s third quarter trading update was weaker than market expectations and as a result the stock fell 15.4% (in AUD). Following a large downgrade by ATM supplier Synlait Milk (SML), ATM announced its sales growth would be at the low end of its guidance and ended the quarter down 14.3%.

Key portfolio changes during the quarter included adding to its position in **NXT**, and **IFT** through their capital raisings. Positions also added to include **ATM** and **AKE** while the fund’s position in **Ingenia Communities** (INA) was reduced. Positions in Ryman Healthcare (RYM) and Eroad (ERD) were divested. The fund’s position in PushPay was removed through the completion of the takeover.

(**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	\$71.2m
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 Controversial weapons (including by not limited to cluster munitions and chemical, biological and nuclear weapons).		
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 .		

Compliance

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

Contact Us

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