

Nikko AM Concentrated Equity Strategy

Monthly Update 31 May 2025

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 delivered strong returns over the month as certain US tariffs were paused, countries and companies continued to assess the impacts of the tariffs along with earnings results announcements for the period ending March.
- The United States S&P 500 index rose 6.2%, the Japanese Nikkei 225 increased 5.3%, the UK FTSE 100 index added 3.3%, the Australian ASX 200 index gained 4.2% and the MSCI World index ended the month up 5.6% (in local terms).
- The S&P/NZX 50 index ended the month up 4.3%.

Fund Highlights

- The fund ended the month up 3.6%.
- Earnings guidance updates and company results for the period ended 31 March dominated news flow and share price performance.
- The fund's positions in Mainfreight, NextDC and Spark added value.
- Positions in Sky City Entertainment, Aristocrat Leisure and Ryman Healthcare detracted from value.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	3.63%	-4.83%	-0.21%	3.76%	4.58%	9.10%
Benchmark²	0.69%	2.10%	9.55%	9.61%	7.93%	7.37%
Retail³	3.51%	-4.99%	-1.34%	2.60%	3.12%	7.26%
S&P/NZX50⁴	4.34%	-1.24%	5.43%	4.01%	3.45%	8.83%

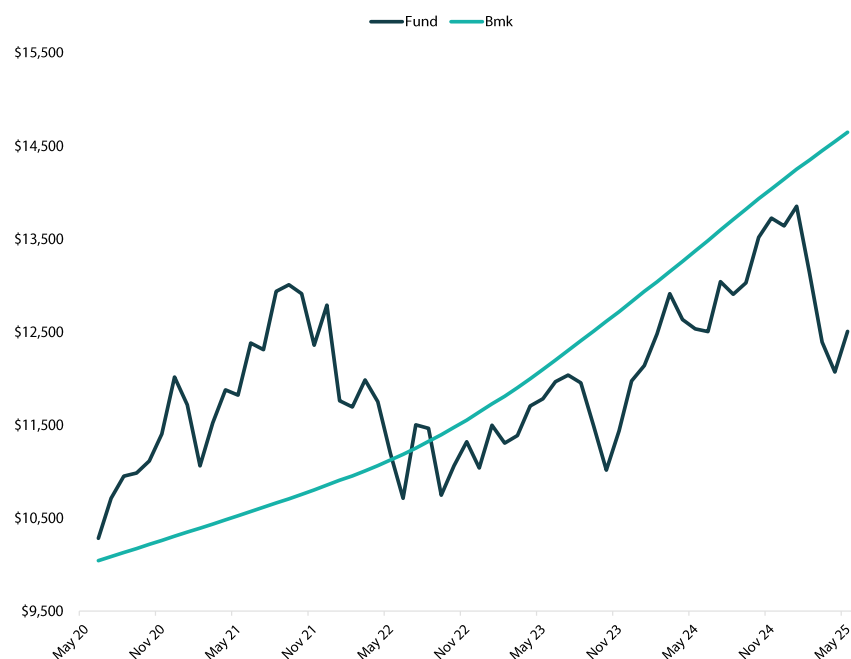
1. Returns are before tax and before the deduction of fees and including tax credits (if any).

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

**Michael Sherrock,
Head of Equities**



Michael joined Nikko AM in 2006 and covers the Energy, Materials, Metals and Mining and Media sectors. He has over 20 years' experience and previously held roles with Schroders UK and ASB Group Investments. Michael is a CFA charterholder and holds a Bachelor of Commerce degree from the University of Auckland.

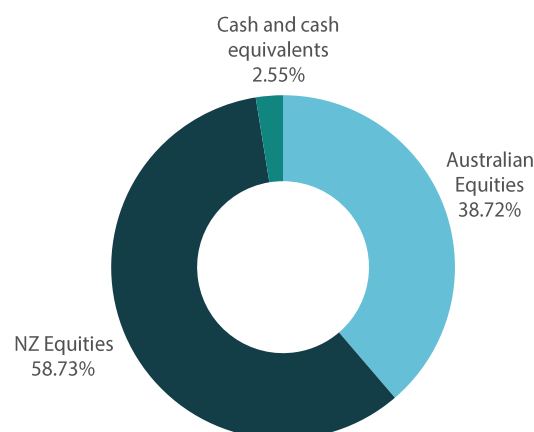
Overview

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*		Top 10 Holdings (% of fund)			
What Helped:	What Hurt:	Infratil	9.99	Worley	7.32
Mainfreight	Sky City Entertainment	Contact Energy	9.40	Mainfreight	6.26
NextDC	Aristocrat Leisure	NextDC	9.24	Meridian Energy	6.23
Spark NZ	Ryman Healthcare	Summerset	7.98	Aristocrat Leisure	5.98
		Spark NZ	7.80	Waypoint REIT	5.52
		Number of holdings			
		15			

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

Market Commentary

Global equity markets rallied strongly over May recovering from the disruption in April after the United States announced large and widespread tariffs on goods imported into the country. Investors took some confidence in markets following President Trump pausing certain tariffs albeit at this stage the President remains steadfast in his position. Companies reporting their earnings for the period ending March also played a major part in the performance of equity markets. Central banks continue to reduce interest rates with both the Reserve Banks of Australia and New Zealand cutting rates by 0.25%. The Reserve Bank of New Zealand has now cut rates by 2.25% from its peak. Markets were somewhat surprised by the RBNZ's statement where they were more hawkish than expected and also disclosed that one of the six voting members voted for no change to the Official Cash Rate. Earnings results for New Zealand companies were generally good versus market expectations.

Fund Commentary

The largest positive contributors to the fund's return were positions in **Mainfreight** (MFT), **NextDC** (NXT) and **Spark** (SPK). On no specific news, following a weak start to the year, down 24.5% to the end of April, MFT bounced back in May, up 26.6% over the month. The weakness in MFT's share price had been driven by investors' concerns around the impact tariffs would have on its business. MFT's earnings result was better than the markets expectation and helped drive the share price up in May. NXT has performed poorly recently with the market concerned around the demand outlook for data centres. This concern was somewhat alleviated during the month after updates from several companies operating in the area indicated demand was still strong. This was further backed up by NXT who announced a material new data centre contract. NXT rose 10.8% (in AUD) over the month. SPK rose 7.2% as news articles indicated that there was interest from investors in the data centre business that SPK is looking to sell a stake in.

The largest negative contributors to the fund's return were from **Sky City Entertainment** (SKC), **Aristocrat Leisure** (ALL) and **Ryman Healthcare** (RYM). While not reporting a result during the month, SKC announced a downgrade to its earnings guidance as it continues to be impacted by the weak NZ economy and increased compliance costs. SKC fell 17.4% over the month. ALL provided a disappointing earnings update for their first half year result. Some of this was due to timing of a new gaming machine release which will flow through to the second half of the financial year. After a strong performance over the last 12 months the earnings disappointment saw the stock down 6.0% (in AUD). Following its \$1b capital raise in February, RYM's share price continues to struggle. Investors were hopeful that RYM would provide a positive update on unit sales in its earnings result, unfortunately that wasn't delivered, further, a larger-than-expected asset devaluation was delivered. This saw RYM deliver a -5.0% return over the month.

Portfolio changes over the month included adding to our positions ALL, **Infratil** (IFT), NXT and SPK. The funds positions in **Waypoint REIT** (WPR), **Contact Energy** (CEN) and **Ingenia Communities** were reduced. The funds holding in Channel Infrastructure was divested.

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

Key Fund Facts

Estimated annual fund charges (incl. GST)		Hedging: 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.	Strategy Launch:	August 2006	
Wholesale:	Negotiated outside of the unit price.				
Retail:	1.15%. refer PDS for more details.				
Distributions:					
Wholesale:	Calendar quarter				
Retail:	March and September	Exclusions:	Controversial weapons (including but not limited to cluster munitions and chemical, biological and nuclear weapons).	Strategy size:	\$46.7m
		Restrictions:	Tobacco stocks, fossil fuels. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://www.nikkoam.co.nz/invest/retail .	Buy / Sell spread:	0.29%/0.29%

Compliance

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

Contact Us

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