

Nikko AM Wholesale Concentrated Equity Fund

Fund manager

Nikko Asset Management New Zealand Limited (Nikko AM).

Nikko AM is Asia's premier global asset manager. In New Zealand we actively manage NZ\$4 billion of investments for a diverse group of clients, including superannuation schemes, charitable trusts, KiwiSaver scheme providers, corporations and local government along with providing services to financial intermediaries through wrap platforms.

We offer investment management services in domestic sectors (equities, fixed interest and cash) through our Auckland-based investment team and employ offshore managers to manage global sectors (global equities, global bonds and alternative investments).

Fund launch

December 2007

Investment objective

To outperform the RBNZ Official Cash Rate over a rolling three year period by 5% per annum before management fees by investing primarily in New Zealand and Australian listed equities.

Benchmark

RBNZ Official Cash Rate plus 5% per annum

Investment process

The Fund is a collection of Nikko AM's domestic equity managers' highest conviction investment ideas to achieve capital appreciation.

The Fund's equity investments are not constrained by size, style, sector or index composition. That is, the Fund includes New Zealand and Australian equities:

- of all sizes: large, medium and emerging equities;
- with a blend of growth and value style investments;
- not overly focused on any specific sector; and
- that are not influenced by any index composition.

Structure and taxation

The Fund vehicle is a Unit Trust and Portfolio Investment Entity (PIE) which is priced daily. Unit holders elect their own Portfolio Investment Rate. The Fund invests directly into tradeable capital market securities. Whilst the majority of the return is "excluded income" there will be a portion of interest income, dividends not fully imputed, and certain ASX listed shares will not fit the criteria for trading gains/losses to be excluded. Information is provided to the IRD and unit holders on an annual basis.

Distributions

At any date for any period fixed by the Manager

Hedging policy

Assets and liabilities are hedged to NZD at the discretion of the Manager. Hedging is based on the gross asset value of the Fund.

Management fees and other charges

Investment management fees will be negotiated separately with each investor and invoiced outside the Fund.

All Fund statutory and operating costs will be met directly by the Manager.

Performance fee

Negotiated separately with each investor and invoiced outside the Fund.

Buy/sell spread

0.40% / 0.40%

Trustee

Public Trust

Custodian

Public Trust as legal custodian, BNP Paribas Fund Services Australasia Pty delegated as functional custodian.

Selected investors only

Participation in the Fund is limited to persons or entities who are New Zealand resident, and:

- (a) whose principal business is the investment of money; or
(b) who, in the ordinary course of and for the purposes of their business, habitually invest money;

and, consequently (or for other reasons) do not constitute "the public" for the purposes of the Securities Act 1978 (**Exempt Person**). Nikko AM will not therefore be required to produce a registered prospectus or an investment statement in relation to the proposed investment (such documents otherwise being required were this offer to be made to persons or entities that are not Exempt Persons), and such documents will not be produced accordingly. Investors in the Fund will be required to acknowledge their status as an Exempt Person as part of their subscription in the Fund. Investors in the Fund will also be required to undertake to Nikko AM that any transfers of interests in the Fund will only be to Exempt Persons.

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562) investment manager and promoter of the products included in this document. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not habitual investors, or their duly appointed agent, should consult a qualified and appropriately Authorised Financial Adviser and the current Investment Statement, Prospectus or Information Memorandum. Applications to invest will only be accepted if made on an application form attached to that current Investment Statement or Information Memorandum. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party.

General Enquiries: NZenquiries@nikkoam.com | +64 9 307 6363

Nikko AM Wholesale Concentrated Equity Fund

Performance (NZD gross returns)

	Fund %	Bmk %	Excess %	NZX50 %	ASX 200 (A\$) %
1 mth	0.65	0.58	0.07	1.01	-1.76
3 mths	-0.67	1.83	-2.49	2.23	-4.61
6 mths	3.82	3.74	0.08	10.88	-4.05
1 year	9.46	8.02	1.45	7.41	-13.73
2 yrs(pa)	18.19	8.15	10.04	13.25	-0.60
3 yrs(pa)	16.49	7.93	8.56	14.44	3.01
5 yrs (pa)	13.88	7.77	6.12	14.59	4.87
10 yrs pa	14.37	9.18	5.18	7.78	4.44

Fund size

\$82 million

Contributors to performance (absolute)

What helped	What hurt
Metlifecare Limited	ANZ Banking Group Limited
APN News & Media	NZ Refining Company
Fletcher Building Limited	Metro Performance Glass

Top five holdings

Security	Sector
Contact Energy	Utilities
Metlifecare Limited	Healthcare
NZ Refining Company	Financials
ANZ Banking Group	Energy
Infratil Limited	Utilities
Number of holdings in portfolio	14

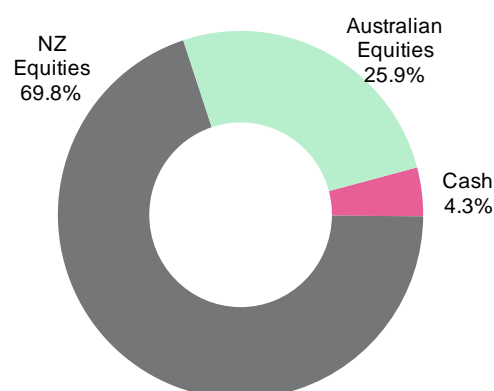
Hedging (% of fund)

AUD currency exposure	0 – 100%
Benchmark exposure	0%
Actual AUD exposure	25.9%
	(ie the Fund is currently unhedged)

Compliance

The Fund complied with its investment mandate during the month.

Asset allocation



Commentary

Global equity markets over the month of February struggled falling in the first half of the month on rising risk aversion before recovering somewhat although finishing the month generally lower. Markets were weighed down by a global sell-off in bank stocks, a weakening economic backdrop, particularly from China, deflation fears in Europe, and concerns over Brexit' fears over the upcoming British referendum on EU membership. Bond yields around the world fell on a weakening economic growth outlook. Japan's benchmark 10-year government bonds fell below zero, an unprecedented low for a G7 economy, following the Bank of Japan's adoption of negative interest rates the previous month. In Australia, equities were lower with mining companies outperforming and banks underperforming. The NZX50 Index (up 1.01%) outperformed global markets and the S&P / ASX 200 Index (-1.76%).

As was the case in New Zealand, the Australian market was pre-occupied with reporting season. The domestic earnings season showed a wider divergence of earnings growth outturns than in recent earnings periods. One of the notable features has been the rise in dividend payouts. The largest positive contributors over the month were **Metlifecare** (MET) and **APN News and Media** (APN) (up 7.5% and 14.5% respectively). MET noted strong growth in key profit metrics being driven by the lift in list prices of resale units across the portfolio and increases in new sales of occupation right agreements. Recent Fund addition **Fletcher Building** (FBU; +3.8%) noted that strong market conditions in the New Zealand construction industry are expected to persist through the 2016 financial year, but that the outlook was more mixed in Australia. Other notable performances included **Western Areas** (WSA; +9.4%) and **Japara** (JHC; +5.7%) and on the downside the Fund's holding in **ANZ** continued to disappoint falling 8.2% with global sector pressure and investor concerns specific to the company driving the name down. **Metro Performance Glass** (MPG) fell 6.1% with sales at opportune prices intra month reducing exposure to the building materials company.

The only portfolio activity in February was the sale of the Fund's position in Sky Network TV. While the stock since its portfolio entry only made a marginal positive return, concerns for the upcoming result led to the sale.

The New Zealand dollar rose 0.83% against the Australian dollar and 1.74% against the US dollar over the month. This impacted on Fund performance due to Australian dollar investments currently being unhedged.

(bold denotes stock held in portfolio)