

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\$4.8 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.

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Performance (NZD gross returns)

	Fund %	Bmk %	Excess %	NZX50 %	ASX 200 (A\$) %
1 mth	-0.37	0.58	-0.95	1.01	3.37
3 mths	9.81	1.77	8.05	11.00	6.35
6 mths	10.47	3.66	6.80	14.54	2.56
1 year	21.06	7.81	13.25	19.32	-4.93
2 yrs(pa)	21.24	8.11	13.13	15.68	2.37
3 yrs(pa)	19.12	7.92	11.20	15.38	5.00
5 yrs (pa)	15.19	7.76	7.43	15.69	6.47
10 yrs pa	13.49	9.10	4.39	7.58	4.52

Fund size

\$90 million

Contributors to performance (absolute)

What helped	What hurt
Fletcher Building	Japara Healthcare
Contact Energy	NZ Refining
Metro Performance Glass	Aristocrat Leisure

Top five holdings

Security	Sector
Contact Energy	Utilities
Metlifecare Limited	Healthcare
Infratil Limited	Utilities
NZ Refining Company	Energy
Aristocrat Leisure	Consumer Discretionary
Number of holdings in portfolio	14

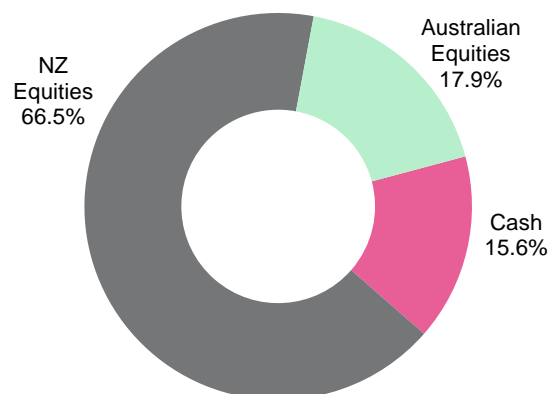
Hedging (% of fund)

AUD currency exposure	0 – 100%
Benchmark exposure	0%
Actual AUD exposure	17.9%
	(ie the Fund is currently unhedged)

Compliance

The Fund complied with its investment mandate during the month.

Asset allocation



Commentary

Global equity markets posted generally positive returns in April with materials and energy performing particularly well on the back of a jump in commodity prices. The Australian market (S&P/ASX 200 Index) was particularly strong – up 3.4% – driven by a 15.4% jump in the S&P/ASX 200 Resource Index. The New Zealand market (S&P/NZX 50 Index) was up 1.0%.

The Fund underperformed the NZX50 Index in April with **Japara Healthcare**, **NZ Refining** and new investment **Aristocrat Leisure** detracting over the month. The strongest contribution came from **Fletcher Building** (+5.7%) while the Fund's largest position, **Contact Energy**, also contributed after marginally outperforming the market with a return of +1.6%. Other notable holdings that performed well included Airworks (+8.1%), Westpac Bank (+6.7%) and Metro Performance Glass (+4.8%).

New stocks added in April include **Fisher & Paykel Healthcare**, **Tegal Group**, **Restaurant Brands** and **Aristocrat Leisure**. Metro Performance Glass and Westpac Banking Corporation were exited during the month. Additionally the Fund's holding in Australian listed provider of aged care and services, **Japara Healthcare**, was increased in April.

The New Zealand dollar rose 1.75% against the Australian dollar and 0.87% against the United States dollar over the month. This detracted from Fund performance due to Australian dollar investments being unhedged.

(bold denotes stock held in portfolio)